

**Annual Pay Policy Statement 2014/15 (The Localism Act 2011)
(January 2015 update)**

Introduction

The Localism Act 2011 (the Act) requires the County Council to prepare a pay policy statement each year. The pay policy statement must articulate the Council's approach to a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

The following pay policy statement has been approved by Full Council and will come into effect from 1 January 2015. This annual pay policy statement will be subject to annual review and approval by Full Council by 31 March each year. However, the 1 April 2014 statement has been reviewed/amended mid-year and approved by the Full Council for publication on 1 January 2015.

This statement will be published on the Council's website following each review and approval by Full Council.

The purpose of this statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding staff working in local authority schools) by identifying:

- The methods by which salaries of all employees are determined;
- The detail and level of remuneration of the Council's most senior staff;
- The remuneration of the Council's lowest-paid employees, and
- The relationship between the remuneration of chief officers and those employees who are not chief officers.

This pay policy statement sets out the Council's approach to pay policy in accordance with the requirements of Section 38 of the Act. Section 40(1) of the Act requires local authorities to have regard to guidance issued by the Secretary of State in performing their functions and approving pay policy statements. In preparing this pay policy statement regard has been had to the Guidance issued by the Department for Communities and Local Government in February 2012.

1. The Council's Pay and Grading Structure

1.1 Section 112 of the Local Government Act 1972 provides that a local authority shall appoint such officers as they think fit for the proper discharge of their functions. Officers so appointed shall hold office on such reasonable terms and

conditions, including conditions' as to remuneration, as the local authority thinks fit.

- 1.2 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. The Council will ensure that there is no pay discrimination within its pay and grading structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.
- 1.3 The remuneration of the vast majority of employees of the Council, other than those employee groups set out below, is in accordance with an objectively evaluated grade/role profile as determined under the Council's job evaluation scheme. The evaluated score or role profile will determine the grading level paid within a locally agreed pay spine (the Lancashire Pay Spine (see Annex A) The Council presently use the Local Government Single Status Job Evaluation Scheme (the NJC scheme) to evaluate posts up to Grade 6 on the Lancashire Pay Spine and the Hay Group Job Evaluation Scheme for other managerial and professional grades.
- 1.4 The following employee groups are not presently paid in accordance with an evaluated grade/role profile determined by the Council and instead nationally or locally determined rates apply:
 - Employees whose pay and conditions are determined by the Soulbury Committee;
 - Employees whose pay and conditions of service are determined by the Joint Negotiating Committee for Youth and Community Workers;
 - Employees on 'Red Book' pay and conditions of service who are employed within Lancashire Adult Learning. Teachers and managers employed within Lancashire Adult Learning are paid in accordance with a locally determined 'Salaries for Teachers in Adult Education' pay spine which incorporates both a teachers' pay spine and a management pay spine;
 - Employees who have transferred from the NHS to the County Council;
 - Employees who have retained terms and conditions of employment from other employers following a TUPE transfer to the County Council.

- 1.5 The Council presently adopts the national pay bargaining arrangements in respect of the revision of pay spines through any agreed annual pay increases negotiated with joint trade unions.
- 1.6 All other pay related enhancements and payable allowances/expenses are the subject of either nationally or locally negotiated and/or determined rates. The enhancements to pay and allowances/expenses payable as determined from time to time are provided at Annex B (Payable Enhancements) and Annex C (Allowances and Expenses) respectively.
- 1.7 New appointments will normally be made at the minimum of the relevant pay scale for the grade, although recruiting managers have discretion to offer a higher scale point to secure the best candidate.
- 1.8 Progression within each grade will normally be by annual increment at 1 April each year subject to the maximum of the grade. However, chief officers have discretion to advance an individual employee's incremental progression within the grade on the grounds of special merit or ability to assist in the retention of able professional or other staff.
- 1.9 Any temporary supplement to the salary scale for the grade for taking on additional duties or responsibilities must be approved in accordance with the Council's agreed policy relating to honoraria payments and acting up allowances.
- 1.10 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 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 data sources available from within the local government sector and outside, as appropriate.

2. Chief Officer Remuneration

- 2.1 The Act defines chief officers as the following (the post titles in brackets identify the relevant posts within the Council):
 - The Head of the Paid Service (the Chief Executive);
 - The Monitoring Officer (the County Secretary & Solicitor);

- A statutory chief officer (the Executive Director for Adult Services, Health and Wellbeing , the Executive Director for Children & Young People, the County Treasurer and the Director of Public Health);
- A non-statutory chief officer (the Executive Director for the Environment and any other postholder reporting directly to or directly accountable to the Chief Executive);
- A deputy chief officer (all other director grade posts).

2.2 The terms and conditions of employment applicable to officers on director grade and above are as determined by the JNC for Chief Officers of Local Authorities, JNC for Chief Executives of Local Authorities or NHS Staff Council as amended, supplemented or superseded by decisions on conditions of service made by the Council from time to time and contained within the Council's Personnel Code.

Note: It is expected that those senior employees covered by the JNC for Chief Officers of Local Authorities, JNC for Chief Executives of Local Authorities or NHS Staff Council will be brought within the Council's terms and conditions, as part of the whole-council transformation, with effect from 1 April 2015.

2.3 The Council's pay and grading structure is as approved by Full Council. The grade/role profile of each chief officer post has been objectively evaluated using a recognised job evaluation scheme (the Hay Group Job Evaluation Scheme). The evaluated score or role profile will determine the grading level paid within the Lancashire Pay Spine. Salary packages take account of such factors as the requirements of the job, the relative size of the organisation, local and national market rates and the relationship with other posts within the grading structure.

2.4 Details of chief officers' basic salary are set out below (salaries are as applicable at 31 August 2014). A structure chart identifying all posts covered by the statutory definition of chief officer posts is provided at Annex D.

Chief Executive

The current basic salary package of the post of Chief Executive/Head of Paid Service is £170,000 per annum, is a single, spot salary. The Chief Executive also acts as Returning Officer for all Council elections for which an additional allowance is payable in relation to the overall supervision and ultimate responsibility for the conduct of Council elections.

The fee payable is calculated in accordance with a formula approved by Full Council, currently 15% of the total fees payable to Deputy Returning Officers employed by district councils (which are based on a set amount for each councillor to be elected, currently £71.25). In a contested election, the Council presently has 84 elected members. Elections take place on a 4 year cycle although by-elections may take place at other times.

Executive Directors

The current basic salary package for posts designated as Executive Director fall within a range of five incremental points between £118,884 (ED 91) rising to a maximum of £129,201 (ED 95).

Director grades

The current basic salary package of posts within the Director grades fall within a range of three levels each comprising of five incremental points as set out below:

- Director Grade 1 (D1) - £76,560 (D1 76) rising to £84,036 (D1 80)
- Director Grade 2 (D2) - £85,701 (D2 81) rising to £93,180 (D2 85)
- Director Grade 3 (D3) - £105,000 (D3 86) rising to £115,000 (D3 90)

Officers reporting direct to the Chief Executive

There is currently one officer who meets the statutory definition of chief officer as they report directly to the Chief Executive but who is not employed on chief officer pay or terms and conditions. This post is identified on the structure chart provided at Annex D.

Director of Health Improvement

The rewards package for this post is as set out in the NHS Terms and Conditions of Service Handbook. The current basic salary package (wef 1 April 2013) for this post is:

- Agenda for Change (second pay spine) Band 9 - £77,850 to £98,453

Progression is by annual increment on 1 April each year and subject to gateway reviews as set out within the NHS Terms and Conditions Handbook and linked to the NHS Knowledge and Skills Framework.

The Agenda for Change pay system and core conditions for staff on Agenda for Change are determined by the NHS Staff Council. Annual pay awards are determined by the Department of Health on the basis of recommendations made by the NHS Pay Review Board. However, it is for the Council to determine whether or not the pay award should be applied to posts that have transferred.

The NHS Job Evaluation Handbook (2010) sets out the basis of job evaluation which underpins the pay system and includes the factor plan, the weighting and scoring document and a guide for matching posts locally.

The NHS Terms and Conditions of Service Handbook also sets out details of other pay related enhancements and payable allowances/expenses including:

- Allowance payable relating to the maintenance of round the clock services (evening, night, weekend, bank holiday and on-call enhancements);
- Overtime payments;
- Pay in high cost areas (applicable to London, outer London and fringe areas only);
- Recruitment and retention premia (now removed but payments subject to transitional protection arrangements);
- Maternity, adoption and paternity leave and pay;
- Redundancy pay;
- Early retirement provisions;
- Mileage allowances;
- Subsistence allowances (including overnight allowances).

The NHS Terms and Conditions of Service Handbook can be accessed at: <http://www.nhsemployers.org/PayAndContracts/AgendaForChange/Pages/Afc-Homepage.aspx>

Other terms and conditions not covered in the handbook are determined locally following consultation with staff representatives. This includes the option of a lease car for employees who are required to be mobile and where it is deemed to be in the interest of the service to do so. The use of locally determined lease car schemes are required to take into account principles set out in the handbook.

Employees covered by the NHS Terms and Conditions of Service Handbook are eligible to join the NHS Pension Scheme.

Note: The Code of Recommended Practice for Local Authorities on Data Transparency (September 2011) requires that information on senior employee salaries (£58,200 and above) is made available in the Council's inventory of public data. The Accounts and Audit (England) Regulations 2011 require local authorities to publish details relating to the remuneration and employer pension contributions in respect of senior employees within their annual statement of accounts.

- 2.5 Progression through the grade is by annual increment which normally happens on 1 April each year.
- 2.6 Salary levels are increased in accordance with nationally agreed annual pay settlements negotiated through the JNC for Chief Officers of Local Authorities

(JNC for Chief Executives of Local Authorities in respect of the Chief Executive's pay).

2.7 Other remuneration elements

2.7.1 In addition to basic salary, all chief officer posts are entitled to:

- A lease car. The current maximum contribution by the County Council, based on the annual rental payable for any vehicle, is £6,000 (£6,500 for the Chief Executive); or,
- As an alternative to a lease car a chief officer may opt to receive a cash equivalent sum of £5,300 per annum (as at 31st August 2014) (this sum is subject to annual review);
- The council operates a policy of reimbursing the membership fees incurred by a chief officer in relation to membership of a professional body;
- Official business mileage undertaken by chief officers is reimbursed at the prevailing advisory rate set by HMRC in relation to company cars. This rate is calculated on the basis that it does not include any taxable profit and no National Insurance Contribution liability as the rate is intended to reflect actual fuel costs.
- Other allowances and expenses which chief officers may claim are as set out within the list provided at Annex C (Allowances and Expenses). The allowances and expenses which may be claimed are as applicable to other employees of the Council.
- Chief Officers are not permitted to claim any payable enhancements as documented at Annex B (for example, planned overtime payments or enhancements for weekend working).

2.7.2 To meet specific operational requirements it may be necessary in exceptional circumstances for an individual to temporarily take on additional duties or responsibilities. Where this is necessary and justified a temporary supplement to the salary scale for the grade must be approved in accordance with the Council's agreed policy relating to honoraria payments and acting up allowances.

2.8 Performance related pay/bonus scheme

With the exception of progression through the incremental scale of the relevant grade, the level of remuneration is not variable or dependent upon the achievement of defined targets.

The Council does not operate a performance related pay scheme in relation its chief officers nor does it pay bonuses or any other cash incentive.

2.9 Recruitment of Chief Officers

- 2.9.1 The Council has delegated the appointment and dismissal of the Chief Executive and Executive Directors to the Employment Committee. The Council's Scheme of Delegation to Chief Officers provides that the Chief Executive and Executive Directors may appoint and dismiss directors reporting to them in accordance with the Council's procedures. When recruiting to all chief officer posts the Council is required to comply with the statutory requirement that no appointment or dismissal (including dismissal by reason of redundancy) may proceed until all cabinet members have been notified of the proposed appointment or dismissal to allow them the opportunity to object.
- 2.9.2 Remuneration on appointment is at the discretion of the Employment Committee (or appointing chief officer in the case of director level appointments) to secure the best candidate for the position and having regard to qualifications and experience.
- 2.9.3 Relocation allowances paid to chief officers are in accordance with the Council's Relocation Allowances scheme which applies to permanent employees (and fixed term appointments of two years or more) who are appointed as a result of external advertisement, and who are obliged to relocate their place of residence as a direct result of taking up their initial appointment with the Council. The maximum amount payable is £8,201 (as at 31 August 2014). An additional discretionary element of £2000 is payable in exceptional circumstances.
- 2.9.4 Where the Council is unable to recruit chief officers, or there is a need for interim support to provide cover for a substantive chief officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service'. These will be sourced through a relevant procurement process ensuring that the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In making such assessments it should be noted that in respect of such engagements the Council is not required to make either pension or national insurance contributions for such individuals. The Council does not currently have any chief officers engaged under such arrangements.

2.10 Payments on Termination of employment

2.10.1 The Council's policies in relation to redundancy payments and early retirement are set out respectively within its Employer Discretions Policy, Redundancy Payments Scheme and Early Retirement Policy. The Council's policy in relation to payments on termination is as summarised below:

Under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the Council applies its discretion (Regulation 5) in the case of both voluntary and compulsory redundancy to base any payments on an employee's actual week's pay. Under Regulation 6, the Council makes voluntary redundancy payments based upon the statutory redundancy payments scale with the entitlement in terms of the number of weeks payable being multiplied by a factor of 1.6 (as at 31 August 2014), subject to a maximum of 48 weeks. Compulsory redundancy payments are based upon the statutory redundancy payments scale only at actual pay.

Under Regulation 3 (10) of the Local government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and Regulation 12 of the Local government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Council may award up to 10 years additional membership to a scheme member whose employment was terminated before 1 April 2014 on the grounds of redundancy or business efficiency, within six months of their date of termination, in exceptional and justifiable circumstances. This is a time limited discretion which expires on 30 September 2014 for those scheme members who employment is terminated on 31 March 2014.

Under Regulation 31 of the Local Government Pension Scheme Regulations 2013, the Council may award additional pension of not more than £6,500 a year (as at 31 August 2014) in exceptional and justifiable circumstances.

2.10.2 The Council does not operate a policy of making any specific or general payment to its chief officers on their ceasing to hold office or to be employed by the Council but it may, where appropriate, agree to waive contractual notice.

2.10.3 Any other forms of severance payment falling outside these provisions must be authorised by or on behalf of the Full Council.

2.11 Tax avoidance measures

All chief officers are remunerated via monthly salary payments. Appropriate tax and national insurance deductions are made in accordance with HMRC

regulations and there are no arrangements in place for the purpose of minimising tax payments.

3. Lowest Paid Employees

- 3.1 The lowest paid persons employed under a contract of employment with the Council are employed on full time equivalent (37 hours) salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure (the Lancashire pay spine).
- 3.2 With effect from 1 April 2014 the County Council became a Living Wage employer. This means that from 1 April 2014 all employees are paid a minimum of £7.65 per hour, which is the equivalent of £14,759 per annum. (This excludes staff in schools, as the decision as to whether to adopt the Living wage sits with the individual Governing Body of each school).
- 3.3 As at 31 August 2014, the lowest grading level within the Lancashire pay spine is Living Wage Grade 2, which encompasses a single point (10 LW) of £14,759 per annum.

4. The relationship between the remuneration of chief officers and those employees who are not chief officers.

- 4.1 The relationship between the rate of pay for the lowest paid and chief officers is determined by the job evaluation process used for establishing the grading of posts and role profiles as set out earlier in this policy statement.
- 4.2 Local authorities are recommended to publish the pay multiple between the highest paid employee and the median average earnings across the organisation. The current pay levels within the Council define the multiple between the average full time equivalent salary (excluding chief officer posts) and the Chief Executive as being:

Median average 1:10.31 (figures based upon median average FTE salary of £16,998 and Chief Executive's salary of £175,000 including cash equivalent lump sum).

- 4.3 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. In addition, upon the annual review of this statement, the Council will also monitor any changes in the relevant 'pay multiples' and benchmark against other comparable local authorities. The

Council's policy aim is for the multiple between the median salary and that of the highest paid officer to not exceed 1:16 (currently 1:10.31).

5. Accountability and Decision Making

The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 prescribe certain functions that may not be exercised by an authority's executive (cabinet or cabinet member) and includes the power to appoint staff and to determine the terms and conditions on which they hold office, including procedures for their dismissal. These functions must therefore be exercised by the Full Council or delegated by the Full Council to a committee or officer.

The Local Authorities (Standing Orders)(England) Regulations 2001 provide that the functions of dismissal of, and taking disciplinary action against, a member of staff must be discharged by the head of the paid service (the chief executive) or an officer nominated by him/her. However, this provision does not apply to the posts identified in paragraph 2.1 above (chief officers) and the Council's constitution currently provides that these functions in relation to the Chief Executive and some other senior posts are discharged on behalf of the Full Council by the Employment Committee (subject to the requirements set out in paragraph 2.9.1 above).

The Employment Committee was established by Full Council to discharge all functions in relation to the terms and conditions of employment of all staff including chief officers.

Section 42 of the Act provides that the function of approving an Annual Pay Policy Statement may not be delegated to a committee, therefore the function of the Employment Committee in this regard is to recommend a Pay Policy Statement to Full Council for approval.

6. Re-employment / Re-engagement of former Chief Officers

- 6.1 The Council in its role as administrator of the Lancashire Pension Fund has adopted a policy for scheme employers participating in the Lancashire Pension Fund regarding re-employment which is that only members in receipt of ill health pensions will be subject to abatement where the aggregate of the pension and the earnings in the new employment exceed the rate of pay on leaving the first employment.
- 6.2 In addition to the policy highlighted above, re-employed pensioners who have previously retired on redundancy or efficiency grounds before October 2006

and been awarded compensatory added years, are also subject to abatement. This abatement applies only to the benefits which are payable in relation to the added years awarded. The benefits are adjusted where the aggregate of the pension and the earnings in the new employment exceed the rate of pay on leaving the first employment. There is no discretion for the Council as administrator of the Lancashire Pension Fund on whether or not they apply this particular abatement in respect of benefits payable as a result of the previous award of compensatory added years.

- 6.3 It is a condition of the Council's Redundancy Procedure that employees wishing to apply for voluntary redundancy must agree in writing that they will not apply for future employment with the Council for a period of three years following the date of the termination of their former employment. This provision will apply equally to officers who leave with a voluntary severance payment.
- 6.4 The Council will not re-engage as a chief officer under a contract for services any former employee of the Council who, on ceasing employment with the Council, was in receipt of a severance payment, a redundancy payment or a pension from the Council for a period of three years following the date of the termination of their former employment.

7. Pension Contributions

- 7.1 Where employees 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 under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Lancashire Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The rate effective from 1 April 2014 (set at 31 March 2013) is 12.6%.
- 7.2 The employee contribution rates for members of the Local Government Pension Scheme are reviewed on 1 April each year. The rates as effective from 1 April 2014 are as set out below:

<u>Pensionable pay range</u>	<u>Employee Contribution Rate</u>
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%

Appendix A

£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 or more	12.5%

NHS Pension Scheme – 2014/15 rates

<u>Full Time Equivalent Salary</u>	<u>Employee Contribution Rate</u>
Up to £15,431.99	5.0%
£15,432.00 to £21,387.99	5.6%
£21,388.00 to £26,823.99	7.1%
£26,824.00 to £49,472.99	9.3%
£49,473.00 to £70,630.99	12.5%
£70,631.00 to £111,376.99	13.5%
£111,377.00 and over	14.5%