

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO PERSONNEL COMMITTEE

Agenda Item No.

meeting date: WEDNESDAY, 18 JANUARY 2012
title: THE LOCALISM ACT 2011 – PAY POLICY STATEMENT
submitted by: HEAD OF HUMAN RESOURCES
principal author: MICHELLE SMITH

1 PURPOSE

1.1 To inform members of the requirement to publish a Pay Policy statement in accordance with the Localism Act 2011.

1.2 Relevance to the Council's ambitions and priorities

- Council Ambitions - the effective control and implementation of remuneration across the organisation supports our ambition to be a well managed Council.
- Community Objectives – none.
- Corporate Priorities - this policy contributes to the priority to maintain critical financial management and controls, and ensure the authority provides Council taxpayers with value for money.
- Other Considerations – none.

2 BACKGROUND

2.1 The Localism Act came into force on 15 November 2011. Sections 38-43 of the act refer to 'Pay Accountability' and sets out the requirements for councils to determine and publish an annual pay policy statement.

2.2 The Council is required to publish its first pay policy statement by 31 March 2012.

3 ISSUES

3.1 This is a new piece of legislation and we have a relatively short timescale in which to comply.

3.2 Draft guidance from the Department for Communities and Local Government on section 40 of the Act (which relates specifically to the pay policy statement) is attached at Appendix 1.

3.3 Additional guidance from the North West Employers Organisation (NWEO) is attached at Appendix 2.

3.4 In relation to the scope of the Act, it is likely that for this Council, the definition of Chief Officers would include the Chief Executive, Directors and Heads of Service.

3.5 There is currently little formal guidance on how the pay policy statement should be presented. However, I will be attending a workshop at NWEO on 17 January to:

- collectively review any questions of interpretation of the requirements of the act and associated statutory guidance
- share ideas and approaches that authorities have developed
- share development effort through joint work
- share information from parallel work in other regions

I will report on outcomes of the workshop at committee on the 18th.

3.6 The pay policy statement has to be approved by the authority and therefore it is likely that this will be an agenda item for Full Council on 6 March 2012.

4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications

- Resources - no financial implications.
- Technical, Environmental and Legal - failure to comply with the requirements of the Act could result in sanctions.
- Political - there are no political implications.
- Reputation - failure to comply could result in negative publicity and potentially on a national scale.

5 **RECOMMENDED THAT COMMITTEE**

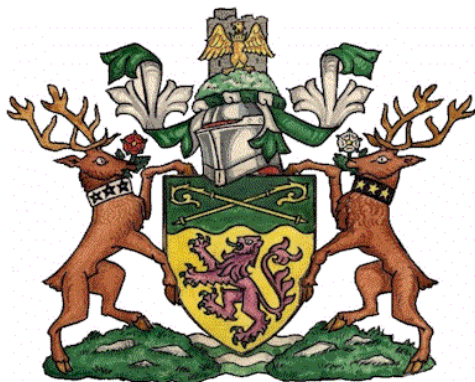
5.1 Receive the report.

5.2 Ask the Chief Executive to prepare an annual pay policy statement in accordance with the requirements of the Localism Act 2011 and in consultation with the Chair of Personnel Committee and the Leader of the Council.

HEAD OF HUMAN RESOURCES

For further information please ask for Michelle Smith, extension 4402.

RIBBLE VALLEY BOROUGH COUNCIL



PAY POLICY STATEMENT 2012/13

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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 authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Sections 38 and 43 of the Localism Act 2011, which requires the council to produce a policy statement that covers a number of matters concerning the pay of the Council’s staff, principally Chief Officers.
- 1.2 The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying:
- the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior staff;
 - the Committee(s) responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the Council.
- 1.3 Once approved by the Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis, the policy for the next financial year being approved by 31st March each year.

2. Other legislation relevant to pay and remuneration

- 2.1 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations.
- 2.2 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 job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

3. Definition of Officers Covered by the Policy Statement

- 3.1 This policy statement is required to cover “chief officer” posts as defined in the Localism Act 2011.

For Ribble Valley Borough Council these are:

- a) The Chief Executive (Head of Paid Service)
- b) Director of Resources (Section 151 Officer responsible for the administration of the authority’s financial affairs)
- c) Director of Community Services
- d) Service Heads
 - Head of Cultural and Leisure Services
 - Head of Engineering Services
 - Head of Environmental Health
 - Head of Financial Services
 - Head of HR
 - Head of Legal and Democratic Services (Monitoring Officer)
 - Head of Planning Services
 - Head of Regeneration and Housing
 - Head of Revenues and Benefits

- 3.2 It should be noted that, whilst within the terms of the Act, the posts listed at 3d above may fall within the wide definition of Chief Officer posts; they are not designated as such within the Council. Their salaries are below the current Senior Civil Service minimum pay band of £58,200.

4. Pay Structure

- 4.1 The Council uses the nationally negotiated pay spine(s) (i.e. a defined list of salary points) as the basis for its local pay structure, which determines the salaries of the large majority of its workforce as detailed below:

| SCALE | SALARY BAND (VALUE AT TIME OF PREPARATION OF THIS STATEMENT) | NJC SCALE POINTS |
|-------------------------|---|-----------------------------|
| 1a | £12,145 - £12,787 | scp 4 – 7 |
| 1b | £13,189 - £14,733 | scp 8 – 11 |
| 2 | £13,874 - £15,444 | scp 10 – 13 |
| 3 | £15,725 - £16,830 | scp 14 – 17 |
| 4 | £17,161 - £19,126 | scp 18 – 21 |
| 5 | £19,621 - £21,519 | scp 22 – 25 |
| 6 | £22,221 - £23,708 | scp 26 – 28 |
| SO1 | £24,646 - £26,276 | scp 29 – 31 |
| SO2 | £27,052 - £28,636 | scp 32 – 34 |
| PO1-4 | £27,849 - £30,011 | scp 33 – 36 |
| PO2-5 | £28,636 - £30,851 | scp 34 – 37 |
| PO5-8 | £30,851 - £33,661 | scp 37 – 40 |
| PO6-9 | £31,754 - £34,549 | scp 38 – 41 |
| PO10-13 | £35,430 - £38,042 | scp 42 – 45 |
| HEADS OF SERVICE | | |
| PO16 -19 | £40,741 - £43,407 | scp 48 - 51 |
| PO 23 -26 | £47,127 - £49,989 | scp 55 - 58 |

- 4.2 The Council adopts the national pay bargaining arrangements in respect of the establishment and revision of the national pay spine.
- 4.3 As at 1 April 2012, there have been no increases in the national pay spine since April 2009.
- 4.4 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.
- 4.5 In determining its grading structure and setting remuneration levels for any posts which fall outside its scope, 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.
- 4.6 New appointments will normally be made at the minimum of the relevant pay scale for the grade, although this can be varied where necessary to secure the best candidate. Where the appointment salary is above the minimum point of the pay scale and is not affected by other council policies, for example redeployment or flexible retirement, this is approved in accordance with written procedures.
- 4.7 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.

- 4.8 Any temporary supplement to the salary scale for the grade is approved in accordance with this Pay Policy.
- 4.9 There are a number of pay points within each salary band. For staff not on the highest point within the band, there is a system of annual progression to the next point on the band.
- 4.10 Additional
 - 4.10.1 To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. The Council's arrangements for authorising any additional remuneration e.g. honoraria, ex gratia, 'acting up' relating to temporary additional duties are as agreed by Personnel Committee.
 - 4.10.2 In addition to basic salary, staff (including Chief Officers) are, or may be, eligible for other payments under the Council's existing policies, for example reimbursement of motoring expenses for business travel.
 - 4.10.3 Pay Protection – where a member of staff is placed in a new post and the grade is below that of their previous post eg as a result of restructuring, pay protection at the level of their previous post is paid for 12 months. (Pay Protection would not apply where a move to lower graded jobs is the result of a disciplinary sanction.)
 - 4.10.4 Professional Fees – The Council pays for or reimburses the cost of one practicing certificate fee or membership of a professional organisation provided it is relevant or essential to the post that an employee occupies within the council. This is relevant to some Chief Officers.

5. Senior Management Remuneration

- 5.1 For the purposes of this statement, senior management means 'chief officers' as defined within the Localism Act. The posts falling within the statutory definition are set out in section 3 above.
- 5.2 A new Senior Management structure was agreed by the Council in 2010 together with a revised salary structure, which reflected a 25% reduction in the Council's Senior Management.

6. Chief Executive Remuneration

- 6.1 The post of Chief Executive (which also acts as Head of Service) is paid a salary which falls within a range of 5 incremental points between £88,460 and a maximum of £96,360. The postholder also acts as the Returning Officer for which additional fees are payable in relation to specific election based activities.

7. Returning Officer Fees

- 7.1 In accordance with the national agreement the Chief Executive is entitled to receive and retain the personal fees arising from performing the duties of Returning Officer, Acting Returning Officer, Deputy Returning Officer, Counting Officer and similar positions which he or she performs subject to the payment of pension contributions thereon. Where appropriate fees for Returning Officer and electoral duties are identified separately for local government elections, elections to the EU Parliament and other electoral processes such as referenda. As these relate to performance

and delivery of specific election duties as and when they arise, they are distinct from the process for the determination of pay for Chief Officers.

8. Directors

- 8.1 The council has two Directors. The salary of posts designated as Director fall within a range of 5 incremental points between £70,122 and a maximum of £76,524 p.a.

9. Heads of Service

- 9.1 There are 9 Heads of Service. The salary package of Heads of Service falls within two bands as outlined at point 6 above

10. Other Chief Officers Conditions of Service

- 10.1 Chief Officers are entitled to a lease car contribution up to a maximum of 7.5% of salary p.a.

- 10.2 Other terms and conditions of service are in accordance with:

Chief Executive - The Joint Negotiating Committee for Local Authority Chief Executives

Directors - The Joint Negotiating Committee for Local Authority Chief Officers

Heads of Service - The Joint Negotiating Committee for Local Government (Green Book)

11. Recruitment of Chief Officers

- 11.1 The Council's policy and procedures with regard to recruitment of chief officers is set out within section 24 of the Constitution.

- 11.2 When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law and its own Recruitment and Selection Policy as approved by Personnel Committee.

- 11.3 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.

- 11.4 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 the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In assessing such 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.

- 11.5 The Council will not enter into any arrangements in the employment of Chief Officers which would or be perceived to be an arrangement to minimise an individual's tax liability.

12. Pension Contributions

- 12.1 Where employees have exercised their statutory right to become members of the Local Government Pension Scheme, the Council is required to make a contribution

to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The Council contributes to the Local Government Pension Scheme for all its employees equally. The rate of contribution is set by Actuaries advising the Lancashire Pension Fund and is reviewed on a triennial basis. In 2012/13 the contribution rate is 16.6% of an employees salary. The employee contribution rates, which are defined by statute, as at 1 April 2012 are:

| Full Time salary | Contribution rate |
|-------------------|-------------------|
| Up to £13,500 | 5.5% |
| £13,501 - £15,800 | 5.8% |
| £15,801- £20,400 | 5.9% |
| £20,401 - £34,000 | 6.5% |
| £34,401 - £45,500 | 6.8% |
| £45,501 - £85,300 | 7.2% |
| £85,300 and above | 7.5% |

13. Payments on Termination

- 13.1 The Councils approach to statutory and discretionary payments on termination of employment of chief officer is set out within its Redundancy policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

At the time of preparation of this pay policy, the policy is:

- to pay statutory redundancy payments in accordance with the Employment Relations Act 1998, which provides for a maximum calculation of up to 30 weeks' pay. The payment will be based on an employee's actual weekly salary rather than the figure set by the Government.
- 13.2 For all permanent employees (including Chief Officers) where there is an option for early retirement, the terms of the Council's Early Retirement Policy will apply (See Appendix A).

14. Lowest Paid Employees

- 14.1 The Council complies with the National Joint Council – Pay and Conditions of Service. The Council undertook a job evaluation exercise in 2008 which included a revised grading structure, with grade 1a being the lowest grade. The minimum salary the Council pays in accordance with the National Conditions of Service is spinal column point 4 of the pay scale, which as at 1 April 2012 equals £12,145 per annum.

| Spinal Column Point | Salary (per annum) |
|---------------------|--------------------|
| 4 | £12,145 |
| 5 | £12,312 |
| 6 | £12,489 |
| 7 | £12,787 |

Progression through the grade occurs through the payment of an additional annual increment on 1 April each year.

Part-time posts are paid the same salary, but on a pro-rata basis.

- 14.2 Currently, 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, with the actual lowest salary as at 1 April 2012 being at spinal column point 5 - £12,312.

This relates to the employment of a cleaner

15. Relationship between Remuneration of Chief Officers and Remuneration of Employees who are not Chief Officers

- 51.1 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.
- 15.2 The highest paid salary in the Council is to the Chief Executive with a mid point salary of £92,328. Set out below is the relationship between the Chief Executive's salary and the median and Lowest salaries within the Council.
- 15.3 The mid point salary for Chief Officer salaries is £58,590
- 15.4 Set out below is the relationship between the Chief Officer's salaries and the median and lowest salary.

| Post | Mid point salary | Benchmark Salary (Median) | Ratio |
|-----------------|------------------|---------------------------|-------|
| Chief Executive | £92,328 | £19,126 | 1:4.8 |
| Chief Officers | £58,590 | £19,126 | 1:3.1 |
| | | | |
| Post | Mid point salary | Benchmark salary (Lowest) | Ratio |
| Chief Executive | £92,328 | £12,312 | 1:7.5 |
| Chief Officers | £58,590 | £12,312 | 1:4.8 |

The Council does not have a policy of maintaining or reaching a specific pay multiple. However, the council is conscious of the need to ensure that the salaries of its highest paid employee is not excessive and is consistent with the needs of the Council.

16. Accountability and Decision Making

- 16.1 In accordance with the Constitution of the Council, the following Committees are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council: Personnel Committee and Full Council.

17. Publication

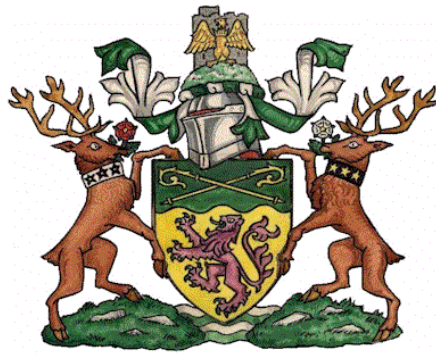
- 17.1 Upon approval by the Council, this statement will be published on the Councils Website www.ribblevalley.gov.uk
- 17.2 In accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011, for posts where the full time equivalent salary is at least £50,000, the Council's Annual 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

The Statement of Accounts is available on the Council's website.

RIBBLE VALLEY BOROUGH COUNCIL

**EARLY
RETIREMENT
POLICY**



1. Intention

- 1.1 The intention of the scheme is to enable the Council to retain maximum flexibility in any situation where it needs to reduce the number of employees or otherwise change the establishment of any department or section. Reorganisation in order to improve the efficiency of a department will also be considered as part of the scheme.

2. Scope

- 2.1 This policy applies to all Ribble Valley Borough Council employees but the provisions regarding pension benefits apply to members of the Local Government Pensions Scheme only.

3. Principles

- 3.1 Employees 55 years of age or over may be eligible for early retirement:
- At the employee's request but subject to the Council's consent. In these circumstances pension benefits may be subject to an actual reduction.
 - In the interest of avoiding redundancies. Employees who apply for early retirement in such circumstances will be able to access their pension without an actuarial reduction.
 - In the interest of facilitating restructuring and/or to improving the effectiveness of the service. Personnel Committee will decide on the merits of each case following the presentation of a robust business case by the relevant Director. If successful, the employee will receive their pension without actuarial reduction.
 - Gradual/phased retirement by reducing their hours of work or taking a less well-paid job.
- 3.2 In cases of early retirement, employees will not receive any redundancy payments.
- 3.3 The Service benefitting from the increased efficiency will finance any extra costs.

4. Procedure

- 4.1 An employee considering requesting early retirement would first discuss the position with a member of the HR section. The employee can ask that the enquiry is "in confidence" at this stage.
- 4.2 The employee may then apply in writing to the HR section for a more detailed pension benefits statement because he/she is seriously considering the possibility of early retirement/. The relevant Director will be notified at this stage and the employee will be informed whether an application would be likely to fulfil the Council's criteria for early retirement ie:

Key criteria:

- (i) Staff must be age 55 or above to apply for early retirement and the Council will take account of the age, years of service in the pension scheme and years of service with Ribble Valley Borough Council, of the employee involved.

- (ii) The maximum enhancement the Council will, at their discretion allow, should be $6\frac{2}{3}$ years.
- (iii) The additional cost to the Council of any early retirement (both lump sum and ongoing pension) must be at least offset by savings directly arising from staff changes following the retirement.
- (iv) Any pension strain and associated costs of the employee retiring early will be charged directly to the relevant service from which the savings have been found.

4.3 If the criteria is met, and the employee wishes to proceed they must commit themselves to early retirement should their application be agreed by CMT and Personnel Committee. The employee in such a case, will inform the HR department who will submit the application to CMT stating, the date from which termination will be effective.

4.4 Each application, together with the financial details will be submitted to CMT for consideration. If CMT approve the application it will be forward to Personnel Committee for approval.

4.5 When an application has been approved by the Personnel Committee, the appropriate Director will be notified and a letter sent to the employee formally terminating his/her service. The termination will be effective following the normal period of notice or from a date specified by the Committee (which, where appropriate, will be the date requested by the applicant or suggested by his/her Director).

4.6 The Personnel Committee may refuse the application, or, if the application cannot be approved immediately but may be approved in the future, the Personnel Committee may defer the application until such time as it can be approved. The decision of the Committee in these cases will be conveyed to the applicant in writing by the HR section.

5. Retirement on the Grounds of Redundancy

5.1 Employees qualify for an immediate pension if they are made redundant (or retired in the interest of the efficiency of the service) so long as they are age 55 or over and have two years service, or have transferred pension rights to the Local Government Pension Scheme (LGPS). Where there is a dismissal for redundancy there will also be an entitlement to a redundancy payment.

5.2 All employees who are members of the LGPS will be able to convert the lump sum compensation payment into added years of service in accordance with the scheme regulations.

6. Retirement in the Interests of Efficiency

6.1 There may be occasions where retirement on the grounds of efficiency will be appropriate. In cases such as these the Council has the flexibility to deal with individual cases on their own merits.

6.2 Employees who are members of the Local Government Pension Scheme will be given the option of converting compensation payments into additional pensionable service on a strictly cost neutral basis.

6.3 The Council will not make use of the augmentation provisions of regulation 52 of the Local Government Pension Scheme.

7. Flexible Retirement

- 7.1 The Council recognises the need to keep the skills and experience of its members of staff for the benefit of the Council and the community as a whole. The Council is therefore committed to working with employees to facilitate a flexible retirement option which will meet the needs of both the individual and the service.
- 7.2 Employees over 55 years of age can apply to change the nature and intensity of their work and receive accrued pension benefits and build up further benefits within the Scheme (where appropriate) whilst continuing in employment, thereby enabling them to ease into retirement.

The change may be:

- a reduction in hours;
- a change in duties resulting in a reduction in grade.

The change must meet the needs of the Service and is at the Council's discretion and there is no obligation on the Council to grant any application.

- 7.3 Benefits Payable (only applicable to employees who are members of the Local Government Pension Scheme).
- 7.4 Employees who retire flexibly are entitled to their accrued pension and lump sum subject to an actuarial reduction. Employees who were contributing to the Scheme prior to 1 October 2006, may have some protection if they take flexible retirement between the age of 60 and 65. However, if they retire flexibly between 55 and 59 their pension benefits will be reduced to reflect the early payment. The Council will not waive this reduction.
- 7.5 There is no maximum amount an employee can earn taking into account their pension and salary.

8. Applications for Flexible Retirement

- 8.1 Employees who wish to apply for flexible retirement must do so in writing to their Director with a copy to the Head of Human Resources (HR).
- 8.2 Applications from staff who are not members of the Local Government Pension Scheme can be granted by CMT in consultation with the Head of HR.
- 8.3 Applications for flexible retirement from employees who are members of the Local Government Pension Scheme must be authorised by the:
- Corporate Management Team;
 - the relevant Director;
 - Head of Human Resources.
- 8.4 Applications for flexible retirement will be submitted to Personnel Committee for approval.
- 8.5 Applications for flexible retirement from the Chief Executive, Directors or Heads of Service must have the approval of Personnel and Policy and Finance Committees.

Signatures:

..... Chief Executive
..... Head of HR
..... Unison Branch Secretary