

# CHESHIRE EAST COUNCIL

## STAFFING COMMITTEE

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<b>Date of Meeting:</b>	13 <sup>th</sup> July 2012
<b>Report of:</b>	Head of Human Resources and Organisational Development
<b>Subject/Title:</b>	Pay Policy Statement 2012/13 Update

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### **1.0 Report Summary**

- 1.1 The purpose of this report is to seek Council approval, following recommendation from Staffing Committee, for the adoption of the updated Pay Policy Statement 2012/13. The Updated Pay Policy Statement is attached at Appendix 1 and the changes have been highlighted within it.

### **2.0 Recommendation for Staffing Committee:**

That the updated Pay Policy Statement 2012/13 be recommended to Council for approval.

### **2.2 Decision for Council:**

To approve the updated Pay Policy Statement for 2012/13.

### **3.0 Reasons for Recommendations**

- 3.1 To ensure that the Council has an up to date Pay Policy Statement in place for the year 2012/13, as required under the Localism Act 2011, that fully reflects the Council's approach and policy with regard to the pay and terms and conditions of Chief Officers employed by the Council.
- 3.2 In line with the constitution and their powers, Cabinet have recently made some changes to the Council's Termination and Severance policies. These changes have since been reflected in the Pay Policy Statement for 2012/13, which requires a recommendation from Staffing Committee for approval by full Council before it can be adopted as the most current version.
- 3.2 For clarity, the Pay Policy Statement, attached at Appendix 1, has been updated as follows:
- 3.2.1 Redundancy Payments and Payments on Termination, Section 8, Pages 11 – 14 of the Pay Policy Statement. Updated as detailed in sections 11.1, 11.2, and 11.3 of this report.

### **4.0 Wards Affected**

- 4.1 Not applicable.

## **5.0 Local Ward Members**

- 5.1 Not applicable.

## **6.0 Policy Implications**

- 6.1 Any decisions relating to the pay and remuneration of Chief Officers must comply with the Pay Policy Statement in place at the time for that financial year and, whilst the Statement can be amended in year should the need arise, changes must be subject to the approval of full Council.

## **7.0 Financial Implications (Authorised by the Director of Finance and Business Services).**

- 7.1 There are no direct financial implications associated with approving the updated Pay Policy Statement 2012/13 and no budgetary adjustments are proposed specifically in relation to this report.
- 7.2 The changes to the voluntary severance scheme (as detailed in section 11.1.1 of this report) will reduce the cost of voluntary severance going forward and help to ensure that the plans for managing workforce change are both affordable and sustainable.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 A pay policy statement is required to be produced annually from 2012-2013 under section 38 of the Localism Act.
- 8.2 The policy revisions, particularly with regard to the reduced Voluntary Redundancy terms, will continue to exceed statutory redundancy requirements and are in accordance with pension regulations. They are therefore legally compliant.
- 8.3 Under the Local Government (Early Termination of Employment) Discretionary Compensation) (England and Wales) Regulations 2006, Councils, amongst other things, have the discretionary power to pay a compensatory payment of up to 104 weeks pay. The revised Termination on Grounds of Efficiency Policy complies with this regulation.
- 8.4 Any amendments that the Council makes to its application of the discretionary regulations must be published for a month before any new terms are implemented. In this event, the new terms will be applicable from 20<sup>th</sup> August 2012 (subject to Council agreement on the 19<sup>th</sup> July).

## **9.0 Risk Management**

- 9.1 If the Council's Pay Policy Statement 2012/13 is not updated to reflect decisions taken relating to policy changes, there is a risk that the Council is not fully compliant with its own Pay Policy Statement for the financial year to which it relates.

## **10.0 Background and Options**

- 10.1 The Council is required to produce and publish a Pay Policy Statement, agreed by Council, for 2012/13 and for each subsequent year, under section 22 of the Localism Act.
- 10.2 Any decisions relating to the pay and remuneration of Chief Officers must comply with the Pay Policy Statement in place at the time for that financial year and whilst the Statement can be amended in year as required, any changes must be subject to the approval of full Council.
- 10.3 In line with this requirement, the Pay Policy Statement for this year, 2012/13, had been updated to reflect a number of policy changes which are detailed below.

## **11.0 Redundancy Payments and Payments on Termination, Section 8, Pages 11 – 14**

### **11.1 Redundancy (Page 11)**

11.1.1 Following a recommendation from Corporate Scrutiny Committee, Cabinet recently took a decision to reduce the Council's voluntary redundancy terms as follows:

- The additional payment for voluntary redundancies i.e. the payment over and above the Statutory Redundancy Pay (SRP), is to be reduced from a multiplier of 2.0 to 1.80.
- The maximum number of weeks payable will be capped at 50 weeks rather than 60 weeks as it is currently.

11.1.2 This decision was taken to better enable the Council to continue to manage workforce change in an effective and timely way, taking account of; the likely scale of change, the costs associated, value for money alongside the importance of striking the right balance in facilitating organisational change and maintaining our constructive employee relations and levels of employee engagement.

11.1.3 This change will also bring the Council in line with some other North West Authorities regarding their voluntary severance terms.

### **11.2 Termination and Retirement on Grounds of Efficiency (Page 12).**

11.2.1 Cabinet also recently agreed to amend the application of the discretionary power relating to the termination of employment on the grounds of efficiency. Under the Council's current policy, employees can only be released on grounds of efficiency where they are aged 55 and over and are members of the LGPS, in which event their pension is released early without an actuarial reduction. Under the new arrangement, termination payments, on the grounds of efficiency, can be made up to the same maximum value applicable under the Council's voluntary redundancy scheme to any employee regardless of age.

11.2.2 Cabinet took this decision on the basis that in exceptional cases, it may be beneficial for the Council to agree to an employee leaving on the grounds of efficiency, in order that better use can be made of the resources that fund their role. In some cases changes of this nature may not be a true redundancy scenario which prevents the use of the voluntary redundancy scheme and would result in the Council being unable to realise a potential saving or efficiency. The introduction of this discretion and by linking it to the same upper limit as the voluntary redundancy scheme (in place at that point in time), will optimise the Council's ability to implement planned change, to realise potential savings / efficiencies and to support any employees so affected.

11.2.3 In line with the redundancy process, all requests for termination on grounds of efficiency will be subject to Cabinet approval.

### **11.3 Compromise Agreements**

11.3.1 Currently the Pay Policy Statement confirms that the final decision and approval for any compromise agreement and associated costs rests with the Chief Executive. Given that the Chief Executive cannot approve a compromise agreement for him/herself, the attached Pay Policy Statement has been updated to address this point and provide further clarity and transparency around decision making and accountability with regard to Compromise Agreements.

11.3.2 The updated Pay Policy Statement states that the final decision and approval for any termination payments (excluding payments in relation to contractual notice pay and outstanding holiday pay) and the terms of any associated compromise agreement for the Chief Executive will be subject to approval by the Staffing Committee.

11.3.3 In addition, the Chief Executive will also be required to consult the Leader on any final decisions and approval for any termination payments (excluding payments in relation to contractual notice pay and outstanding holiday pay) and the terms of any associated compromise agreement in relation to Chief Officers (Statutory and non Statutory and those earning over £100,000 per annum).

11.3.4 It should be noted that this arrangement will only apply where a termination is mutually agreeable and payment is agreed with a Chief executive on a consensual basis. For any other dismissal relating to a Chief executive, full Council approval would be required, in line with the designated statutory process.

11.3.5 Approval for any termination payment made under a compromise Agreement must take into account the following considerations:

- The individual circumstances of the departure
- Value for Money for the authority
- The age and proximity to retirement of the individual,
- The risk and value of a potential claim against the authority
- The need for a speedy departure / 'opportunity lost' cost
- Any other material factors that may be considered

12.0 All of the changes noted above are highlighted in the attached Pay Policy Statement with the current statement, which is to be replaced, crossed out for ease of reference.

### **13.0 *Access to Information***

The background papers relating to this report can be inspected by contacting the report writer:

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