

## **Pay Policy Statement 2020/21**

### **1. Introduction and Purpose**

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 (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38-43 of the Localism Act 2011 and due regard to the associated Statutory Guidance including the Supplementary Statutory Guidance issued in February 2013, and guidance issued under the Local Government Transparency Code 2015.

The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its senior employees (excluding teaching staff, employees working in local authority schools and academies, and alternative service delivery vehicles) by identifying:

- The methods by which salaries of all employees are determined.
- The detail and level of remuneration of its most senior employees i.e. ‘Chief Officers’, as defined by the relevant legislation.

“Remuneration” for the purposes of this statement includes three elements; basic salary, pension and all other allowances arising from employment.

Once approved by Council, this policy statement will come into effect on the 1<sup>st</sup> April 2021 superseding the 2020/21 statement and will continue to be reviewed on an annual basis.

### **2. Background**

In determining the pay and remuneration of all of its employees, the Council takes account of the need to ensure value for money in respect of the use of public expenditure. This is balanced against the need to recruit and retain employees in an increasingly competitive market who are able to deliver the Council’s commitments and meet the requirements of providing high quality services, which are delivered effectively and efficiently and at times at which those services are required.

The Council complies with all relevant employment legislation and codes of practice. 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 and the application of key criteria, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.

### 3. Pay Structure

#### Senior Management

##### 3.1 Principles

There are a number of overriding principles which govern the Council's approach to senior management reward:

- The policy will be affordable; with reward being commensurate with individual and corporate performance.
- Reward policy for senior post-holders will be transparent, clearly defined and readily understood.
- The policy will offer the flexibility to reward for job size, capability, performance (objectives and behaviours) and market rates (where these may be relevant, with evidence).
- Reward for senior roles will be fair and proportionate by comparison to reward for the wider workforce.

##### 3.2 Reward components

For many senior posts, reward will continue to comprise basic salary and a range of benefits. Reward will **not** include an annual performance related pay incentive as the Council are seeking to remove Performance Related Pay (PRP). This is subject to further consultation with Trade Unions and employees/union members.

The components are described as follows:

- **Basic salary:** This is guaranteed fixed cash remuneration, paid monthly. The level of basic salary is contractual.
- **Benefits:** The Council provides a range of benefits, some of which are guaranteed and form a part of the contract of employment. Generous holiday and access to the Local Government Pension Scheme (LGPS) are principal benefits.

As previously stated, PRP is being removed so no employee will be in receipt of a performance related pay incentive during 2021/22.

##### 3.3 Job Evaluation and Banding

The Council uses the Hay Group job evaluation scheme to position roles into the Cheshire East Senior Management pay bands. The bands are linked to Hay Job Evaluation points ranges which have been determined as part of the Council's operating model.

### 3.4 Senior Manager Pay Structure

This defined pay structure determines the salaries of senior managers on JNC (Joint National Council for Chief Officers) conditions of service. A score is produced from the evaluation process which equates to a pay band on the Council's senior manager pay structure.

A review of the JNC Pay Structure for Chief Officers was carried out in 2020 to remedy some outstanding anomalies, and a new pay structure has been proposed. This will be implemented during 2021/22, subject to further consultation with Trade Unions and employees/union members. The **current** pay structure for senior managers who are subject to JNC conditions of service can be seen by accessing the [senior manager pay and grading structure](#).

As previously stated (see para 3.2), each grade within the senior manager pay structure will no longer have an achieving rate and the potential for a defined exceeding performance award during 2021/22 as the Council are seeking to remove this scheme.

In addition, there is a small proportion of public health employees who transferred under TUPE to the Council on NHS Pay and Terms and Conditions on 1<sup>st</sup> April 2013 and these employees remain on the terms and conditions of their previous NHS employer.

### 3.5 Chief Officer remuneration

When applying the senior manager pay structure, for the purposes of this statement, the definition of Chief Officers is as set out in Section 43 of the Localism Act.

The posts falling within the statutory definition are set out below, with details of their salary packages.

#### **Chief Executive – Tier 1**

- The current salary package of the post is £155,153.

#### **Chief Officer – Tier 2** (direct reports to the Chief Executive)

- The salary package of these posts falls within a range of £119,955 to £136,313.

#### **Deputy Chief Officer – Tier 3** (direct reports to Tier 2 managers)

- The salary package of these posts falls within a range of £77,862 to £105,670.

### 3.6 Pay and grading structure for employees

The **current** [pay and grading structure for employees](#) on NJC (National Joint Council for Local Government Services) is also available.

The Council reviewed its local pay structures (Grades 1 to 12) as a result of the two-year national agreement which covered the period 2018-2020 and introduced an interim structure in June 2019 which assimilated all employees on to the new NJC Pay structure in line with the National Agreement. These changes brought Cheshire East Council in line with the NJC for Local Government Services pay structure and the revised national pay spine (spinal column points).

More recently, further changes to the NJC pay structure have been proposed; including the removal of grade overlaps up to Grade 8 and the removal of the minimum spinal column point (SCP27) in Grade 9. The revised NJC pay structure is subject to further consultation with Trade Unions and employees/union members.

#### **4. Living Wage**

As a result of the 2018-20 NJC pay agreement, it is no longer necessary to pay a Local Living Wage supplement because the uprated pay points for the lowest paid employees have been increased and now exceed the National Living Wage. For information, the lowest pay point is £9.25 an hour with effect from 1<sup>st</sup> April 2020, and future pay awards are intended to take this into account in order to maintain parity with National Living Wage requirements.

#### **5. Recruitment of Chief Officers**

The Council's policy and procedures with regard to recruitment of Chief Officers is set out in the Council's Constitution and Scheme of Delegation and is undertaken by an Appointment Panel made up of members of the Staffing Committee in accordance with arrangements set out in the Constitution. Full Council approval will be sought for the establishment of a role on a salary package exceeding £100,000 where remuneration departs from the pay policy statement.

When recruiting to all posts, the Council will take full and proper account of all provisions of relevant employment law and its own Recruitment Policy and Procedure, Disability Confident Commitment, Mindful Employer, Redeployment Procedure and Equality in Employment Policy.

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 and in line with this Pay Policy Statement. New appointments will normally be made in accordance with the JNC pay structure, although this can be varied on an exceptional basis where necessary to secure the best candidate and will take into account the appointee's existing pay and their relevant experience and qualifications taking account of equal pay within the Council.

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. Any such payments will be reviewed at regular intervals to ensure their ongoing suitability and appropriateness.

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, put in place the most effective arrangements to engage individuals. These arrangements will comply with HMRC IR35 requirements, relevant procurement processes and ensure the Council is able to demonstrate maximum value for money.

## **6. Additions to Chief Officers' Salaries**

The following payments can be applied to Chief Officers' salaries:

- Returning and Deputy Returning Officers' Fees
- Travel Allowances and Expenses
- Salary Sacrifice Lease Car Scheme (only applicable for salary sacrifice vehicles ordered before 7<sup>th</sup> September 2020 as this scheme ended on 15<sup>th</sup> September 2020)
- Relocation Expenses
- Professional Fees and Subscriptions

Further details of [Additions to Chief Officers' salaries](#) are published in the Council's Transparency Data and in the Statement of Accounts.

## **7. Local Government Pension Scheme (LGPS)**

Details of the [Local government pension scheme](#) discretions exercised, contribution bands, actuarial rates, and discretions policy application are available.

## **8. Redundancy Payments and Payments on Termination**

The Council's policy on compulsory redundancies, including redundancy payments, is set out in the Organisational Change Policy and Procedure. If employees have two or more years' service, they may be entitled to a redundancy payment. The payment is based on the statutory formula (on actual weekly pay). Any overtaken leave/flexi will be deducted from their final salary. Where there is an outstanding leave entitlement, this must be taken during their notice period and before their employment ends.

In order to minimise the need for compulsory redundancies and in conjunction with other measures, e.g. restricting recruitment, the Council may consider requests from employees to be made redundant (voluntary redundancy). Employees who leave on grounds of voluntary redundancy will normally be entitled to receive a redundancy payment in accordance with the statutory formula (on actual weekly pay) plus an additional severance payment of 0.8 times the statutory payment,

bringing the total payment to 1.80 times the statutory formula and up to a maximum of 50 week's pay.

The Council's **current** approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to reaching normal retirement age, is set out within the Leaving the Council Policy & Procedure and for those eligible for retirement, in the Leaving the Council Policy & Procedure and are in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Local Government Pension scheme Regulations 2007. All payments under this section are subject to the approval process set out in the Organisational Change Policy & Procedure and the Leaving the Council Policy & Procedure.

The Council reserves the right to change all discretionary elements.

**Important Note:** The Restriction of Public Sector Exit Payments Regulations 2020 came into effect on 4<sup>th</sup> November 2020. This legislation introduced a £95,000 cap on exit payments. Exit payments include all redundancy payments, severance payments, pension strain costs – which arise when an LGPS pension is paid unreduced before a member's normal pension age – and other payments made as a consequence of termination of employment.

Payments related to death in service or ill health retirement, pay in lieu of holiday, payments made in compliance with an order made by a court or tribunal and payments in lieu of notice that do not exceed a quarter of a person's salary are not exit payments for the purposes of these regulations. Although statutory (compulsory) redundancy is included as an exit payment it cannot be reduced. If the cap is exceeded, other elements that make up the exit payment must be reduced to achieve an exit payment of £95,000 or less.

The government also consulted on a proposed reform of the Discretionary Payments Regulations and Local Government Pension Scheme (LGPS) Regulations. The proposed changes to regulations place additional restrictions on severance payments and a limit on the amount an employer can contribute to pension strain costs where an employee draws their pension early as a result of redundancy or efficiency of the service. Proposals for change on the reform of Discretionary Payments Regulations and LGPS Regulations are still awaited from the government and the Council's position will be considered once these changes are published. The Council's policies and procedures are also currently under review in light of these changes.

## **9. Early Retirement and Severance on the Grounds of Business Efficiency**

In line with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the Council also operates a voluntary scheme to facilitate early retirement or severance on grounds of business efficiency to enable the Council to continue to achieve

effective use of resources and provide value for money. The terms of this are set out in the Leaving the Council Policy and Procedure.

## **10. Mutually Agreed Resignation Scheme (MARS)**

The Council had operated a Mutually Agreed Resignation Scheme (MARS) which enables individual employees, including Chief Officers, in agreement with the Council, to choose to leave their employment voluntarily in return for a discretionary 'severance' payment. This scheme creates resourcing flexibility to avoid compulsory redundancies in future, enable the redeployment of resources to higher priority areas of work and reduce costs in lower priority areas. MARS is non contractual and has no pension liabilities. A decision is taken each year whether to run the scheme or not by the Chief Executive.

## **11. Settlement Agreements**

The Council uses settlement agreements for all voluntary redundancies/severance and MARS severance payments, for all employees, including Chief Officers. The use of settlement agreements on this basis minimises any risk of future claims against the Council and can ensure that any threatened or pending legal proceedings and their associated legal costs can be avoided. The Council follows the current guidance for public sector settlement agreements in these circumstances.

## **12. Pay Multiples**

The Council publishes a range of information to meet the Transparency Code requirements and has used the recommended formulae in the code guidance and Local Government Association (LGA) guidance to calculate the relationship between the rate of pay for the lowest paid, median and Chief Officers, known as [pay multiples](#).

## **13. Re-employment or re-engagement**

Any decision to re-employ an individual (including Chief Officers) already in receipt of a Local Government Pension (with same or another local authority) will be made on merit, taking into account the use of public money and the exigencies of the Council.

In particular, the Voluntary Redundancy Scheme provides that former Cheshire East/Legacy Authority employees who left their employment on grounds of voluntary retirement or severance will not be re-employed in any capacity, except in exceptional circumstances and subject to the agreement of the Head of HR in consultation with the Leader and the relevant Portfolio Holder. Re-engagement includes all types of contractual relationships whether they are a contract of employment, contract for service etc. and whether the individual is appointed as an employee or engaged as an interim, direct consultancy or via an agency or other supplier.

#### **14. Publication and access to information**

Upon approval by Council, this Statement will be published on the Council's website ([www.cheshireeast.gov.uk](http://www.cheshireeast.gov.uk)). Additionally, in line with Code of Practice and Accounts and Audit Regulations, salary, allowances and bonus compensation and employers pension contributions will be published for:

- a) Senior employees whose salary is £150,000 or more (who will also be identified by name).
- b) Senior employees whose salary is £50,000 or more.

The Council will also publish, on an annual basis, Gender Pay Gap data in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

---

Prepared by: HR Strategy and Policy Team

Date: January 2021

Review date: January 2022

OFFICIAL

## **Annex 1 – Links**

All the relevant policies and procedures as referred to in the Pay Policy Statement can be found using the links in section 1 below. Please email [hrcommunications@cheshireeast.gov.uk](mailto:hrcommunications@cheshireeast.gov.uk) should you have any difficulties accessing this information.

### **Section 1: Additional information**

Link 1 – [Pay and grading structure for senior managers and employees](#)

Link 2 – [Additions to Chief Officers' salaries](#)

Link 3 – [Local government pension scheme](#)

Link 4 – [Pay multiples](#)

[Statement of Accounts for 2019/20](#)

### **Section 2: Internal intranet links to the further relevant policies, procedures and other relevant information**

- [Payment of a Market Supplement](#)
- [Pay and Allowances Policy](#)
- [Pensions Discretions Policy](#)
- [Organisational Change Policy and Procedure](#)
- [Leaving the Council Policy and Procedure](#)
- [Recruitment Policy and Procedure](#)
- [Disability at Work Commitment](#)
- [Mindful Employer](#)
- [Redeployment Procedure](#)
- [Equality in Employment Policy](#)
- [Relocation and Excess Travel Policy and Procedure](#)

For those seeking to access copies of policies and procedures externally, please email [hrcommunications@cheshireeast.gov.uk](mailto:hrcommunications@cheshireeast.gov.uk) to request copies of the relevant documents.

OFFICIAL