

**Open Report on behalf of David O'Connor, Executive Director Performance and Governance**

Report to:	<b>County Council</b>
Date:	<b>12 April 2013</b>
Subject:	<b>Pay Policy Statement</b>

**Summary:**

This report is from the Pay Policy Committee. The Localism Act 2011 requires all local authorities to agree pay policy statements annually at a Full Council meeting and then subsequently to publish them.

No major changes are recommended to the Pay Policy Statement for 2013/14, in comparison to 2012/13.

Full Council is asked to consider the adoption of three discretionary elements:

- Restrictions on the recruitment of former Chief Officers
- Clarity on the use of Consultants
- Recommendation for the use of Personal Service Contracts

**Recommendation(s):**

That the Pay Policy Statement attached at Appendix A be agreed.

Communities and Local Government paper "Openness and Accountability in local pay, Guidance under section 40 of the Localism Act" in February 2012. In line with these guidelines they are therefore considered good practice; and make clear the Council's position on these employment matters.

**1. Background**

This Pay Policy Statement was considered by the Pay Policy Sub-Committee at its meeting on the 5<sup>th</sup> February 2013 where it was agreed to pass through to Full Council for ratification.

**2. Conclusion**

The Pay Policy Statement sets out the County Council's policy on pay and conditions for senior managers and employees (excluding operational fire fighters

and schools based employees). This ensures that the Council has a fair and transparent approach to these matters.

**3. Legal Comments:**

By publishing the Council's Pay Policy annually ensures compliance with the Localism Act 2011.

**4. Resource Comments:**

This Policy ensures that all senior managers and employees are treated fairly and transparently.

**5. Consultation**

**a) Has Local Member Been Consulted?**

n/a

**b) Has Executive Councillor Been Consulted?**

Yes

**c) Scrutiny Comments**

n/a

**d) Policy Proofing Actions Required**

n/a

**6. Appendices**

These are listed below and attached at the end of the document.	
Appendix A	Pay Policy Statement

**7. Background Papers**

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document Title	Where the document can be viewed
Pay Policy Statement to Pay Policy Sub-Committee 5 <sup>th</sup> February 2013	<a href="http://www.lincolnshire.gov.uk/jobs/manuals/employment-manual">http://www.lincolnshire.gov.uk/jobs/manuals/employment-manual</a>

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**Appendix A**

# **PAY POLICY STATEMENT**

**For year 2013/2014**  
**People Management Service**

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## **1. Introduction**

This Pay Policy Statement sets out County Council policy on pay and conditions for senior managers and employees (excluding operational Fire Fighters and schools based employees) for 2013-14.

The Council aims to attract and retain employees to deliver the Council's objectives. In determining pay policy for Chief Officers and all other employees, the Council is committed to ensuring a fair and transparent approach. Within this, it is recognised that different approaches may be required between groups of employees reflecting factors such as difficulties in attracting and retaining key skills. This Pay Policy Statement has been agreed by the Council meeting on 22<sup>nd</sup> February 2013.

## **2. Key Principles for Pay Policy**

- To be fair, reasonable and transparent
- To be affordable
- To reward employees for their contribution to the Council's achievements;
- To maintain rates of pay which are both competitive in the market place and reflect the need to retain key skills

## **3. Employees in scope of the Pay Policy statement**

This Pay Policy Statement covers all employees (except schools based employees and uniformed fire fighters except those defined as Senior Managers.) As such, it goes wider than minimum legal requirements of the Localism Act 2011.

## **4. The Senior Management Pay Structure**

Senior Managers are defined for this purpose as the Chief Executive; Executive Directors – (referred to as Chief Officers); Assistant Directors, Chief Fire Officer, Deputy Chief Fire Officer and Assistant Chief Fire Officer. The senior management pay structure is attached at Appendix A.

### **Chief Executive and Executive Directors**

Remuneration is determined by the Chief Officers' Pay Policy Sub-Committee and is based on salary comparison against Chief Officers in other Shire Counties in the Eastern and Midlands region, against the market place and taking into account information from the annual NJC Salaries & Numbers Database. The aim is to ensure the Council retains key employees by maintaining rates of around median pay which are both competitive in the market place and reflect the need to retain key skills. The Chief Executive post is paid on a spot salary<sup>1</sup>. Executive Director posts are all paid at the same single spot salary point because all roles have

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<sup>1</sup> See Glossary Page 12

collective responsibility for the success of all service areas and for the Council as a whole.

### **Assistant Directors**

Remuneration is determined by the Corporate Management Board and underpinned by the Hay Job Evaluation Scheme. The same five point grade applies to all Assistant Directors. Periodically the pay structure will be reviewed to ensure that salaries offered are competitive in the market place, taking into account the advice set out in the Joint Negotiating Committee<sup>2</sup> (JNC) for Chief Officers of Local Authorities Conditions of Service.

### **Fire & Rescue Service Management Team**

The pay structure is determined in line with the NJC for Brigade Managers (Gold Book<sup>3</sup>) with the Deputy Chief Fire Officer and Assistant Chief Fire Officer receiving 80% and 75% respectively of the Chief Fire Officer salary.

In accordance with the 2011 Code of Recommended Practice for Local Authorities on Data Transparency, information on senior salaries is published on the Council's website - [Data on Senior Salaries](#) together with information about the structure of the workforce. Additional legal provisions about reporting payments over £50,000 in a year are in the Accounts & Audit (England) Regulations 2011, also available in the Council's published accounts on our website: [Statement of Accounts 2010/11](#).

## **5. Other employees' pay structure (including lowest paid employees)**

Remuneration for other employees is normally determined by the Council's Job Evaluation (JE) Scheme<sup>4</sup> which covers all staff on NJC Local Government Services terms and conditions of service. This includes the lowest paid council employees. The Lincolnshire County Council (LCC) Pay spine for staff up to and including Heads of Service is attached at Appendix B.

The Pay and Grading structure used by the Council was implemented by Collective Agreement<sup>5</sup> in July 2008, backdated to be effective from 1 April 2007 and is anchored to the national NJC pay spine for Local Government Services. The current pay spine is at 2009 rates as no annual pay awards were made during 2010, 2011 and 2012. The JE Scheme, the Greater London Provincial Council Scheme, was selected through a process of consultation with staff and Trade Unions and complies with equal pay requirements.

## **6. Non-standard terms and conditions**

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<sup>2</sup> See Glossary Page 12

<sup>3</sup> See Glossary Page 12

<sup>4</sup> The Job Evaluation scheme ensures that all jobs are graded fairly and equitably between men and women

<sup>5</sup> A Collective Agreement is a formal agreement signed between the County Council and the recognised Trade Unions

Staff transferring into the Council under TUPE arrangements have the right to retain their existing terms and conditions. The largest group includes those staff who transferred from the Connexions Service.

Additionally some specialist posts, mainly in education related services, such as Educational Psychologists and the Youth Service are recruited to specific terms and conditions although they are in scope of the [Local Scheme of Conditions of Service](#)

## **7. The National Pay Award**

Pay levels are adjusted to take account of any cost of living increase negotiated nationally by the JNC for Local Authority Chief Executives<sup>6</sup>; the JNC for Chief Officers of Local Authorities and the NJC for Local Government Services<sup>7</sup>. However, there has been no national pay award increase since 2009.

## **8. Recruitment, Retention and Market Force Supplements**

The Council recognises that at times it may be difficult to recruit new employees or retain existing staff in key posts. To ensure the Council attracts and maintains a skilled and experienced workforce, supplements may be paid in addition to the post grade. Further details can be found in the [Recruitment, Retention and Market Force Supplements Policy](#).

## **9. Relocation Expenses and Disturbance Allowances**

Relocation Expenses and Disturbance Payments are paid to employees to cover additional costs they may incur as a result of a change or disturbance to work base. These are paid in accordance with the [Relocation Expenses and Disturbance Allowances Policy](#).

## **10. Starting pay**

Employees, when appointed to posts within the Council are paid on an incremental scale and will normally be appointed at the minimum point of the pay grade for that post. However, in certain circumstances it may be appropriate to appoint to a higher point within the pay grade. This should be objectively justifiable and have regard to the pay of existing employees within the service area. See [Green Book Employees Pay and Conditions Policy](#).

Where an employee is appointed who does not yet meet the minimum competency requirements for that role, they are appointed in accordance with the [Appointed One Point Below Policy](#).

## **11. Performance Related Pay (PRP) and “earn back”.**

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<sup>6</sup> See Glossary Page 12

<sup>7</sup> See Glossary Page 12

The Council does not operate a PRP scheme or “earn back”<sup>8</sup> system.

## **12. Pay progression**

The Chief Executive, Executive Directors and Fire & Rescue Senior Managers are all appointed to a spot salary so no pay progression applies.

For other employees, eligibility for incremental progression, including any acceleration through the grade with the use of Merit Increments, will be in accordance with the [Green Book Employees Pay and Conditions Policy](#) covering the NJC for Local Government Services Group. An increment may be withheld following an adverse report on an employee’s performance (subject to the Council’s capability / disciplinary procedures being followed). Any increments withheld may subsequently be paid if the employee’s performance becomes satisfactory.

## **13. Reviewing individual performance**

Individual achievement is assessed using the [Council’s Appraisal Scheme](#) and all employees will take part in an appraisal process. In most cases this will be the full LCC appraisal process; however, there may be some cases where the process is amended so that it is appropriate to the role of the employee.

Learning and development needs will be linked to the [County Council’s Behaviours Framework](#) which are interchangeable with occupational national standards of competence where appropriate.

## **14. Responsibility for reviewing performance**

The Chief Executive’s individual performance will be assessed by the Leader of the Council together with the appointed cross-party group. For individual Executive Directors, the assessment will be made by the Chief Executive and reported to the cross-party group.

For all other employees, the assessment will be made by the individual’s line manager, as appropriate.

## **15. Acting up arrangements**

Employees temporarily acting up into a role which is normally graded on a higher level should be paid at the appropriate level for the duties they are asked to perform. Further details can be found in the Council’s [Green Book Employees Pay and Conditions Policy](#) covering the NJC for Local Government Services Group.

## **16. Honoraria**

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<sup>8</sup> An earn back system relates to withholding a specified portion (for example, up to 20%) of existing pay if performance is unsatisfactory; or releasing that portion if performance is satisfactory,

An honorarium payment may be made for exceptional or special work undertaken on a short term basis of not more than 6 months and will be in accordance with the Council's [Green Book Employees Pay and Conditions Policy](#) covering the NJC for Local Government Services Group.

### **17. Employees on fixed term / temporary contracts**

The Council will not treat employees on fixed term or temporary contracts less favourably than employees on a permanent contract. See [Fixed Term and Temporary Contracts Policy and Procedure](#).

### **18. Allowances / Expenses**

#### **Chief Executive, Executive Directors and Assistant Directors**

Allowances will be in accordance with the [Local Scheme of Conditions of Service](#) or jointly agreed schemes in Directorates. Business Travel will be reimbursed in accordance with the [Travel Policy](#). This policy applies to all staff (including Senior Managers) in scope of the Local Scheme of Conditions of Service.

#### **Fire & Rescue Service Senior Managers**

Allowances and expenses will be in accordance with the NJC for Brigade Managers Conditions of Service and Service Order 19<sup>9</sup>. See George page: [Service Order 19 - Pay and Allowances](#).

### **19. Salary Protection**

Where an employee accepts a post on a lower grade as result of a restructuring or change in the workforce, personal salary protection will apply in accordance with the [Local Scheme of Conditions of Service](#) or Collective Agreement for those in the Fire & Rescue Service. See George [Collective Agreement Pay Protection Fire & Rescue Service](#).

### **20. Severance Payments**

For those in the Local Government Pension Scheme, (including Chief Officers) payments relating to redundancy, early retirement and flexible retirement will be paid in accordance with the Council's [Redundancy and Early Retirement Policy](#) or [Flexible Retirement Policy](#).

All employees / recruits (including Chief Officers) in receipt of a redundancy payment will be subject to the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modifications) Order 1999<sup>10</sup>.

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<sup>9</sup> See Glossary Page 12

## **21. Payments for Returning Officers during Local Elections**

Payments for the Chief Executive and Executive Directors who are Returning Officers are made in accordance with their respective JNC Conditions of Service.

Payments for employees at Head of Service and below for Local Election duties are made in accordance with the [Local Scheme of Conditions of Service](#).

## **22. Pay Policy Sub-Committee**

The Pay Policy Sub-Committee undertakes an annual review of Chief Officers' salaries i.e. Chief Executive and Executive Directors. The Sub-Committee comprises of Councillors from the Appointments Committee, representing the political balance of the Council overall in accordance with the terms of the Local Government and Housing Act 1989.

## **23. LCC Green Book<sup>11</sup> Negotiating Team**

The Negotiating Team considers pay issues relating to all employees within the scope of NJC pay awards.

## **24. Relationship between Senior Management pay and Conditions with other officers including the lowest paid**

The approaches for determining senior management pay are set out in paragraph 4 above.

The approach for determining other employees' pay, including the lowest paid employees, is set out in paragraph 5 above.

## **25. Pay Multiples (or pay dispersion)**

There is no formal mechanism for direct comparison between pay levels of the wider workforce with Senior Manager pay and there is no Council policies on reaching or maintaining a specific pay multiple.

The pay multiple recommended for adoption by the Hutton Review of Fair Pay in the Public Sector is the ratio between the salary of the highest paid employee and the median Full Time Equivalent salary of the organisation. In Lincolnshire County

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<sup>10</sup> Under the Employment Rights Act 1996 (ERA), an employee can count service with an 'associated employer' towards the service requirement for a redundancy payment (i.e. two years) and, if appropriate, for calculating that payment.

<sup>11</sup> See Glossary Page 12

Council the current (February 2013) pay multiple is 8.2. For context, the Hutton Review identified the pay multiple in Shire Counties as greater than 11.

The pay multiple is often referred to as 'pay dispersion'.

## **26. Re-engagement of former Chief Officers**

The policy for appointing or re-engaging any Chief Officer who has previously been made redundant by this authority, or who is in receipt of a local government pension, is that there should be a presumption against re-employment for a period of 6 months following the end of their employment. However, in exceptional circumstances Chief Officers may be re-employed by the Council more quickly provided that it is not within one month and one day of their leaving date.

In approving a re-employment of a Chief Officer, Members will need to be satisfied that:

- the employee is not being re-employed in a role or capacity, which is broadly similar to the role from which they were made redundant;
- the rate of pay applied to the work undertaken by the re-engaged employee should be that appropriate to the work to be done and not the grading which applied to the employee prior to the end of their current contract;
- the employment should be for a fixed term, not exceeding one year, unless there are exceptional circumstances; and the arrangement must provide financial / operational advantage to the Council.

The policy of the Lincolnshire Pension fund is not to abate pensions should any officer retire and then return to work for the Council.

## **27. The use of contracts for services and appointment of consultants**

The Inland Revenue requires the authority to determine whether an arrangement with a consultant or contractor constitutes a contract of employment or can be deemed to be on a self-employed basis.

The determination will need to be made for every agreement that is proposed as the decision on status relates to the contract, not the individual. This must be undertaken before any engagement is agreed or any contract signed.

Where it is determined that an engagement constitutes a contract of employment, normal Council terms and conditions will apply and the work must be paid for at the evaluated rate for the job,

It may be appropriate to re-engage a former employee as a consultant with a contract for service in certain circumstances. This may be appropriate:

- For discrete pieces of work where the former employee has the appropriate skill and experience which is not available elsewhere in the Council.
- Where it is more cost effective
- Where it is difficult to recruit due to market conditions
- Where work of an urgent nature arises at short notice.

Such arrangements should be time limited, and be subject to appropriate written agreements covering the nature, duration, quality standards, and the basis on which the agreement will be terminated. The written agreement must be signed before the arrangement commences.

Initial consideration for providing cover for urgent work should be through the use of temporary employment contracts advertised in the usual manner or through acting up or secondment arrangements made available to existing staff. This should particularly be true where the work relates to the normal business of the service area, as opposed to defined projects or one off tasks.

It is our duty under the Pensions Act 2008 to comply with auto-enrolment Regulations and an assessment will be made on whether the contractor is an employee rather than a contractor and therefore pensionable under the Act.

The assessment process will not rely on IR35 but will take into account work practices which may differ from what is on the contract as well as whether they are the named individual on a contract and cannot be substituted for another person if required, they are line managed within LCC given tools to do their job.

## **28. Personal Service Contracts**

In the contracting sector, the generally accepted definition of a personal service company is a limited company that typically has a sole director, the contractor, who owns most or all of the shares.

Many contractors choose to work for clients using their own limited companies for many reasons, Limited companies can be a tax efficient way for contractors to work, as they often split their income between salary and dividends, which means they do not pay, employers' or employees' Class 1 National Insurance Contributions on a large part of their overall income

Personal Service contracts prevent the risk of there being a contract of service, or an employment relationship with the Council which eliminates any income tax liability on the Council.

By using a limited liability company, contractors are also insulated to a certain extent from business risk.

Although the Council does not currently have any such contracts in place for normal employment it is possible that it will do so in the future as they are an acceptable way of reducing the legal liabilities that come from hiring employees.

**2012-13  
Salary (£)**

<b>Assistant Director Grade</b>	
<b>Tier 3</b>	£76,578.62
	£78,493.56
	£80,405.40
	£82,317.24
	£84,228.84

**APPENDIX A**

**Senior  
Pay Structure  
2013**

<b>Executive Director</b>	
<b>Tier 2</b>	£125,982.76

**Management  
– January**

<b>Chief Executive</b>	
<b>Tier 1</b>	£173,226.00

<b>Fire &amp; Rescue Service Management Team</b>	
Chief Fire Officer	£111,100.00
Deputy Chief Fire Officer	£88,880.00
Assistant Chief Fire Officer	£83,325.00

APPENDIX B

NJC for Local Government Services as at 1 April 2011

LCC Pay Spine for staff up to and including Head of Service			GLPC Points Score
1	12145		Grade 1 = 182 - 227
2	12489		
3	13189	G1	Grade 2 = 228 - 267
4	13717		
5	14209		Grade 3 = 268 - 307
6	14733	G2	
7	15302		Grade 4 = 308 - 347
8	15870		
9	16440	G3	Grade 5 = 348 - 387
10	17111		
11	17783		Grade 6 = 388 - 427
12	18453	G4	
13	19254		Grade 7 = 428 - 467
14	20057		
15	20858	G5	Grade 8 = 468 - 507
16	21558		
17	22258		Grade 9 = 508 - 547
18	22958	G6	
19	23795		Grade 10 = 548 - 587
20	24634		
21	25472	G7	Grade 11 = 588 -
22	26581		
23	27588		
24	28636	G8	
25	29683		
26	30718		
27	31754	G9	
28	32979		
29	34205		
30	35430	G10	
31	36904		
32	38380		
33	39855	G11	

			627
34	41914		
35	43973		
36	46034	<b>G12</b>	Grade 12 = 628 - 667
37	47578		
38	49121		
39	50665	<b>G13</b>	Grade 13 = 668 - 707
40	52209		
41	53753		
42	55296	<b>G14</b>	Grade 14 = 708 - 747
43	56840		
44	58384		
45	59928	<b>G15</b>	Grade 15 = 748 - 787
46	61471		
47	63015		
48	64559	<b>G16</b>	Grade 16 = 788 +

This pay spine is anchored to salary points on the NJC National Pay Spine and these salaries are shown in bold. The relevant Lincolnshire points are SCPs 1, 2, 3, 6, 9, 12, 15, 18, 21, 24, 27, 30 & 33.

## **Glossary of Terms**

### **Spot Salary:**

Spot salaries within Lincolnshire County Council are fixed to specifically defined spinal column point. There is no progression up to or beyond the rate for each position. Spot salaries are one of the least discriminatory of pay methods because everyone is paid the rate for the job from day one and the pay structure cannot be distorted by differential progression.

### **JNC for Local Authority Chief Officers**

The primary role of the Joint Negotiating Committee is a national body to reach agreement on a national framework on all national pay and service conditions and items related to any dispute for all chief officers

### **NJC for Brigade Managers (Gold Book)**

The primary role of the National Joint Committee for Brigade Managers of Fire and Rescue Services (the NJC) is to reach agreement on a national framework of pay and conditions for Brigade Managers for local application throughout the Fire and Rescue Service in the UK.

### **JNC for Local Authority Chief Executives**

The Joint Negotiating Committee (JNC) for Chief Executives of Local Authorities is the national negotiating body for the pay and conditions of service of chief executives in England and Wales. The Authorities' Side consists of elected members nominated by the Local Government Association. The Staff Side consists of chief executives nominated by the Association of Local Authority Chief Executives (ALACE). ALACE is registered as an independent trade union.

### **NJC for Local Government Services**

The pay and terms of conditions of employment for local government services' workers is determined by the National Joint Council for Local Government Services. The NJC for Local Government Services has 70 members: 12 on the employers' side and 58 on the trade union side.

In 1997, the NJC for Local Government Services agreed a national framework with potential for local modification to suit local service requirements. Known as The Single Status Agreement, these pay and conditions of service agreements are published in **The Green Book: Local Government Scheme of Conditions of Service**

### **Greater London Provincial Council (GLPC) Job Evaluation Scheme**

Lincolnshire County Council use the scheme developed to support local authorities in carrying out their obligations under the national agreement on

single status. The job evaluation scheme was the subject of consultation with the Equal Opportunities Commission. The scheme is jointly agreed by the employers and unions in London local government. It was developed by a working party of experienced evaluators and tested jointly at regional and local authority levels.

The scheme is accompanied by a code of good practice and a framework procedure to inform local arrangements.