



COUNCIL: 24 February 2021

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**Report of:** Corporate Director of Transformation and Resources

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**SUBJECT: PAY POLICY STATEMENT 2021/22 and Introduction of Holiday Pay Percentage Supplement**

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Wards affected: Borough wide.

## **1.0 PURPOSE OF THE REPORT**

1.1 To agree a Pay Policy Statement for 2021/22 detailing the Authority's policy on Workforce remuneration, as required by the Localism Act 2011 (the 'Localism Act').

## **2.0 RECOMMENDATION**

2.1 That the Pay Policy Statement for 2021/22 attached at Appendix 1 be approved, published on the Council's website and included in the Constitution.

2.2 That a 2 year mandatory gap from when a former West Lancashire Borough Council employee exits the organisation via a Voluntary Redundancy to when they can be re-engaged by the Council in any contract for employment or service, be introduced with effect from 1 April 2021 for any exits after that date.

2.3 That the Chief Operating Officer, in consultation with the portfolio holder for Human Resources, has delegated authority to agree to exceptions to the mandatory 2 year engagement gap, in exceptional circumstances, when special skills are required.

2.4 That the Chief Operating Officer, in consultation with the portfolio holder for Human Resources, has delegated authority to update the Pay Policy Statement in year, for any changes that may occur after Council have agreed the version attached, prior to next year's statement being approved.

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### **3.0 BACKGROUND**

3.1 The Localism Act 2011 refers to 'Pay Accountability' and sets out the requirements for Councils and Fire and Rescue authorities to prepare and publish annual pay policy statements. The pay policy statement must be approved by full Council, in advance of the financial year to which it relates.

3.2 The Council must publish the statement on the Council's website and may choose to expand the publication in other ways as part of its approach towards transparency. The pay policy statement must set out the Council's policies relating to:

- Chief Officer remuneration (at recruitment, salary, bonus/performance related pay, charges/fees/allowances, benefits in kind, enhancement to pension at termination),
- Remuneration of its lowest paid employees (including elements as above), the definition used for this group and the reason for adopting that definition,
- The relationship between Chief Officer Remuneration and that of other staff.

3.3 The Council may amend its pay policy statement during the year but must comply with the statement in force in making decisions on relevant remuneration.

3.4 The definition of Chief Officers is not limited to those on Chief Executive and Chief Officer Terms and Conditions (JNC Conditions). It means Heads of Paid Service, statutory and non-statutory Chief Officers and those who report directly to them.

3.5 The Localism Act 2011 sets out the minimum requirements and authorities are encouraged to consider whether they wish to extend the scope of their pay policy statement to include highly paid staff not within the definition of 'Chief Officers'. At West Lancashire the scope of the 'Chief Officer' definition means that it is not necessary to extend the definition.

3.6 The information set out within the Pay Policy Statement compliments the data on pay and reward that the Council is required to publish separately, under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations and Local Government Transparency Code 2014. This is referred to on the Council's website.

### **4.0 GUIDANCE ON OPENNESS AND ACCOUNTABILITY IN LOCAL PAY**

4.1 Under Section 40 of the Localism Act 2011 the Council must, when preparing and approving pay policy statements, have regard to any guidance issued or approved by the Secretary of State for Communities and Local Government. In February 2012, the Secretary of State issued guidance on openness and accountability in local pay setting out specific expectations including:

- Full council having the opportunity to vote on senior remuneration packages with a value over £100,000 prior to an offer being made in a new appointment;

- Policies explaining the planned relationship between chief officers' remuneration and that of other staff and the ratio between the highest paid and the median salary that the authority aims to achieve or maintain;
- Authorities considering Lord Hutton's recommendations on the value of a system of 'earn back' pay, with an element of their basic pay 'at risk', to be earned back each year through meeting pre-agreed objectives;
- Any decision that an authority takes in relation to the award of severance to an individual Chief Officer, complying with their published policy for that year;
- Authorities having an explicit policy in their pay statement on whether or not they permit an individual to be in receipt of a pension in addition to receiving a salary;
- Policies toward Chief Officers, who have returned to an authority and had received a severance or redundancy payment, returned under a contract for services or are in receipt of a LGPS / firefighter pension.

4.2 Additional supplementary guidance was issued in February 2013 which is summarised below:

- Pay Policy Statements are public documents to be used to hold Councillors to account on pay matters;
- The Pay Policy Statement should be published as soon as reasonably practicable after approval by full Council, it should include the Council's approach to the publication of and access to information on Chief Officer Remuneration.
- Building on existing guidance regarding the need for full Council approval for Senior Officer Appointments on salaries over £100,000, where Councils do not have posts within their structure of over £100,000, local salary thresholds should be set for full Council approval to senior officer appointments.
- There should be published policies on severance for Chief Officers and details of any redundancy payment discretions.
- Full Council should vote on large severance packages beyond a threshold of £100,000, the details should be set out to include all components of the severance, including salary paid in lieu, redundancy compensation, pension entitlement, holiday pay, bonuses, fees and allowances.

## **5.0 CURRENT APPROACH – PAY POLICY STATEMENT**

5.1 Members have been mindful for many years of ensuring that the remuneration available to the Chief Officers and senior managers within the Council is appropriate including in terms of ensuring the necessary skills are available to the Council.

5.2 The annual Pay Policy Statement provides information about the remuneration package offered by the Council to the Chief Officers within the structure. The salary ratio of highest paid and the average salary across the workforce and the Chief Officers is detailed in the policy statement.

5.3 Lord Hutton in his review of public sector pay, Fair Pay in the Public Sector, December 2010, recommended amongst a number of other things that the ratio between the lowest and highest paid officers within a public sector organisation

should be no more than 1:20. With this recommendation in mind the Council is well within the boundaries of reasonable and appropriate pay differentials.

- 5.4 In producing the Pay Policy Statement, due consideration has been given to the guidance available and it is considered that the Pay Policy Statement presents a fair and appropriate approach to senior officer remuneration across the Council, which also represents good value for money.
- 5.5 It is Council policy to pay an additional supplement to those Council employees not currently receiving 'a Living Wage Foundation living wage'. This wage level is currently £9.50 per hour and this approach has been accounted for in the Pay Policy Statement 2021/22, as the lowest hourly rate payable by WLBC is £9.50, based on the current minimum salary point within the current pay grade, so no supplement is necessary at this rate.
- 5.6 Employees who are members of the Local Government Pension Scheme (LGPS) pay annual contributions into the Scheme based on a banding structure. The LGPS was amended with effect from 1 April 2014 and the current contribution bandings are incorporated into the Pay Policy 2020/21. These are details at the April 2020 rates, and will be updated once new rates are applied as an administrative update of the policy.
- 5.7 The Pay Policy Statement contains the grade structure for the Council, following the National Joint Council 2018/19 two year pay award. The national salary scale is due for the next national award in April 2021 for NJC officers and July 2021 for JNC officers. However these updated figures are not available at this current time. It is unlikely to affect the grade structure, but will affect the actual annual salary offered. Consequently when the pay award negotiations have been settled the annual salaries figures and respective ratios will be amended and the Policy will be updated to reflect those revised annual salaries, as an administrative update to the policy.

## **6.0 INTRODUCTION OF A MANDATORY 2 YEAR GAP FOR RE-ENGAGEMENT FOLLOWING A VOLUNTARY REDUNDANCY EXIT**

- 6.1 Historically the Council has not placed any restrictions on the re-engagement of former employees of the Council, regardless of their route of exit.
- 6.2 In recent times public bodies have come under increased scrutiny in relation to the exit payments they provide when staff leave. This has led in part to the proposed change in the Council's approach. However, the Pay Policy Statement had included reference to the introduction of a £95K exit payment cap introduced by Government from November 2020. But this has recently been revoked and will now be removed from the Pay Policy Statement, as attached, and the Organisational Change Policy will be updated, in due course.
- 6.3 Local concerns have also been expressed following our recent major restructure following the SORP Review, which saw a number of staff exiting the employment of the Council following acceptance of Voluntary Redundancy and being compensated for loss of office, and questions asked about whether they were eligible to be re-engaged despite having been declared redundant etc.

- 6.4 Whilst the re-engagement of former employees who leave on voluntary redundancy ground, is not illegal in any way, the Council wishes to be transparent in this regard and therefore introduce a restriction on the re-engagement of former employees who leave the Council with a Voluntary Redundancy Package.
- 6.5 The proposals is that a mandatory 2 year gap will be put in place which prevents the re-engagement of staff who exit the Council's employment on the terms of Voluntary Redundancy, from being re-engaged by the Council by reason of Temporary fixed term or permanent appointment, as an Agency placement or via a contract for service.
- 6.6 This mandatory re-engagement gap will be in place regardless of whether the former employee is in receipt of a pension or not. However, there will be an exemption situation, which will enable the Council to relax this policy decision in emergency situations, which would enable specialist skilled former employees to be brought back into the Council for short fixed term periods, subject to direct approval of the Chief Operating Officer.
- 6.7 There are outstanding regulations included in the Small Business, Enterprise and Employment Act 2015, which planned to introduce for the recovery of termination payments paid to high earning public sector employees and public sector employees being required to repay a tapering proportion of a 'qualifying exit payment', if they return to the public sector within a period of 12 months and earn an annual salary of £80,000 or more. If this becomes effective, the Council's policies will be more consistent in this regard, by this mandatory gap in re-engagement.
- 6.8 The Trade Unions have been made aware of this proposals and their comments are available for consideration by Council.

## **7.0 SUSTAINABILITY IMPLICATIONS**

- 7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. However, it does have an impact on local employment, in terms of establishing the rates of pay w and pay ratios within the Council workforce.

## **8.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 8.1 The proposed Pay Policy Statement itself will not have any direct effect on the budgetary position of the Council as it encapsulates the current arrangements in relation to Pay and Conditions of its employees.

## **9.0 RISK ASSESSMENT**

- 9.1 The publication of a pay statement and introducing measures in relation to holiday pay is a statutory / regulatory requirement.

## **10.0 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications arising from this report.

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### **Background Documents**

There are no background documents (as defined in Section 100D (5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required and a formal assessment is attached as Appendix 2 to this report, the results of which have been taken into account in the Recommendations contained within this report.

### **Appendices**

Appendix 1 - Pay Policy Statement 2020/21

Appendix 2 - Equality Impact Assessment