

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Status of Report: Public Agenda Item: 15

Meeting: Combined Fire Authority
Date: 8th April 2015
Subject: Pay Policy Statement 2015/16
Report by: Solicitor and Monitoring Officer
Author: Guy Goodman
For: Decision

1. Purpose

This report presents to the Combined Fire Authority (CFA) for approval the Pay Policy Statement for 2015/16 required under the Localism Act 2011.

2. Executive Summary

The Localism Act 2011 requires each local authority to have an annual Pay Policy Statement for its Chief Officers with effect from the financial year 2012/13. A compliant Statement is proposed for adoption by the CFA covering all members of the Senior Management Team for the financial year 2015/16.

3. Report Detail

- 3.1 Chapter 8 of the Localism Act 2011 introduced Chief Officer pay transparency into Local Authorities. The CFA must prepare a pay policy statement for the financial year 2012/13 and each subsequent financial year.
- 3.2 Under section 38 of the Act the Statement must set out the CFA's policies for the financial year relating to:
- (a) the remuneration of its Chief Officers,
 - (b) the remuneration of its lowest-paid employees, and
 - (c) the relationship between—
 - (i) the remuneration of its Chief Officers, and
 - (ii) the remuneration of its employees who are not Chief Officers.
- 3.3 The Statement must also state:
- (a) the definition of "lowest-paid employees" adopted by the Authority for the purposes of the statement, and

(b) the Authority's reasons for adopting that definition.

3.4 In addition, the Statement must include the CFA's policies relating to:

- (a) the level and elements of remuneration for each Chief Officer,
- (b) remuneration of Chief Officers on recruitment,
- (c) increases and additions to remuneration for each Chief Officer,
- (d) the use of performance-related pay for Chief Officers,
- (e) the use of bonuses for Chief Officers,
- (f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the Authority, and
- (g) the publication of and access to information relating to remuneration of Chief Officers.

3.5 The CFA may also include within the Statement its policies for the financial year relating to the other terms and conditions applying to its Chief Officers.

3.6 The Statement must be approved by a resolution of the CFA before it comes into force (the function cannot be delegated). The first Statement must be prepared and approved before the end of 31st March 2012; and each subsequent Statement must be prepared and approved before the end of the 31st March immediately preceding the financial year to which it relates. The CFA may by resolution amend the Statement at any time. Finally, as soon as is reasonably practicable after approving or amending the Statement, the CFA must publish the Statement or the amended Statement in such manner as it thinks fit (which must include publication on its website).

3.7 The proposed Statement for 2015/16 is at the **Appendix**. The Statement recognises that there will be a change of Chief Fire and Rescue Officer (CFO) in-year and deals with the positions of both the outgoing and including CFO; takes account of the fact that Area Managers are entitled to additional payments for contingency cover during periods of industrial action; and following the decision of the CFA to pay the Living Wage resets the amount for the lowest-paid post and ratio with the CFO's pay.

3.8 The Secretary of State for Communities and Local Government issued Pay Accountability Guidance under section 40 of the Localism Act 2011 on 17th February 2012 with supplementary guidance issued on 20th February 2013. This guidance has been taken into consideration in the drafting of the proposed Statement.

4. Report Implications / Impact

4.1 *Legal (including crime and disorder)*

These are set out in the body of the report.

4.2 *Financial (including value for money, benefits and efficiencies)*

None.

4.3 ***Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)***

None.

4.4 ***Staff, Service Users and Stakeholders (including the Equality Impact Assessment)***

None.

4.5 ***Environmental***

None.

4.6 ***Impact upon Our Plan Objectives***

None.

5. Recommendations

The CFA is asked to approve the Pay Policy Statement 2015/16.

6. Background Papers

1. *Openness and accountability in local pay: guidance under section 40 of the Localism Act* (Department for Communities and Local Government, 2012)
2. *Openness and accountability in local pay: guidance under section 40 of the Localism Act 2011: supplementary guidance* (Department for Communities and Local Government, 2013)

7. Appendix

Proposed Statement 2015/16

LEICESTERSHIRE

FIRE and RESCUE SERVICE

Pay Policy Statement 2015/16

Approved by the CFA on 08.04.15

1. Introduction

- 1.1. This Statement has been produced with due regard to the guidance issued by the Secretary of State under section 40 of the Localism Act 2011.
- 1.2. This Statement extends to all members of the Senior Management Team (SMT) whether or not they meet the definition of a "Chief Officer" as set out in the Act.
- 1.3. SMT comprises the Chief Fire and Rescue Officer/Chief Executive, Directors and Area Managers.
- 1.4. All SMT members are employed by the Combined Fire Authority (CFA) and not retained under a contract for services.
- 1.5. Before a salary package of £100,000 or above is offered in respect of a new appointment it must be approved at a meeting of the full CFA.
- 1.6. A severance package of £100,000 or above for a member of staff leaving the organisation must be approved at a meeting of the full CFA.

2. Remuneration of the Chief Fire and Rescue Officer/Chief Executive (CFO)

- 2.1 The CFO is employed under a contract of employment on the terms and conditions as set out in the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services Constitution and Scheme of Conditions of Employment (Gold Book) where applicable, as amended and supplemented by local collective agreements reached with trade unions recognised by the CFA, Service Procedures and other instructions as amended.
- 2.2 Under the Gold Book the pay of the CFO is negotiated and agreed locally by the CFA.
- 2.3 The CFO is provided with a motor vehicle for the performance of his duties.
- 2.4 No other bonuses are paid to the CFO.
- 2.5 Appropriate professional fees are paid.

Position of the CFO to 29th April 2015

- 2.6 The current CFO has been re-employed following retirement (see paragraph 8) under a fixed term contract for a period of 2 years from 15th April 2010 and then for 3 years from 30th April 2012. This latter contract expires on 29th April 2015 when the CFO will leave the employment of the CFA.
- 2.7 The CFO's notional salary is £149,220 subject to any increase for the cost of living awarded nationally by the NJC. The notional salary is comprised of the CFO's pension with the balance being the CFO's salary which as at 6th April 2015 is £78,341.79.
- 2.8 The post attracts performance related pay although the CFO has not accepted this for the first two years of his final contract and for the calendar year 2014 the CFO is entitled to the payment of a terminal adjustment of £50,000 subject to the achievement of an agreed transition plan. A full explanation as to the background to this payment is to be found in the **Schedule** at the end of this Statement.

Position of the CFO from 30th April 2015

- 2.9 A new CFO has been appointed and will take up post on 30th April 2015.
- 2.10 The CFO's salary will be £140,612 subject to any pay award agreed nationally by the NJC with effect from 1st January 2015.
- 2.11 On 1st January 2016 the CFO's salary will increase by the national pay award agreed by the NJC up to a maximum of 1%; and on 1st April 2016 his salary shall increase by 1% awarded locally by the CFA.
- 2.12 Prior to 31st March 2017 the CFA will commence consultation with the CFO on any future pay awards on the understanding that there is no guarantee provided by the CFA that the salary will increase other than by any cost of living award agreed nationally by the NJC. In default of any agreement following consultation, from 1st January 2017 onwards salaries will remain as at 1st April 2016 but subject to paragraphs 10 (national pay award) and 11 (local annual salary review) of the Scheme of Conditions of Service contained in the Gold Book.
- 2.13 The post will not attract performance related pay.

3. Remuneration of Directors

- 3.1 Directors who have operational firefighting responsibilities (Operational Directors) are employed under contracts of employment on the terms and conditions as set out in the Gold Book where applicable, as amended and supplemented by local collective agreements reached with trade unions recognised by the CFA, Service Procedures and other instructions as amended.

- 3.2 Directors who have non-operational responsibilities (Support Directors) are employed under contracts of employment on the terms and conditions as set out in the Joint Negotiating Committee for Chief Officers where applicable, as amended and supplemented by local collective agreements reached with trade unions recognised by the CFA, Service Procedures and other instructions as amended. However, pay is determined in accordance with the Gold Book.
- 3.3 The pay for all Directors is set as for the CFO (see paragraph 2.2).
- 3.4 On 25th June 2014 the CFA approved a new 3 year pay deal for the Directors as follows:
- On 1st January 2014, 2015 and 2016 salaries will increase by the national pay award agreed by the NJC up to a maximum of 1%; and on 1st April 2014, 2015 and 2016 salaries shall increase by 1% awarded locally by the CFA.
 - Prior to 31st March 2017 the CFA will commence consultation with Directors on any future pay awards on the understanding that there is no guarantee provided by the CFA that salaries will increase other than by any cost of living award agreed nationally by the NJC. In default of any agreement following consultation, from 1st January 2017 onwards salaries will remain as at 1st April 2016 but subject to paragraphs 10 (national pay award) and 11 (local annual salary review) of the Scheme of Conditions of Service contained in the Gold Book.
- 3.5 The revised salaries for the Directors with effect from 1st April 2015¹ are therefore:
- Deputy CFO & Director of Organisational Development – £115,889.07
 - Director of Community Services - £111,877.61
 - Director of Finance and Corporate Services (Treasurer) – £93,305.28
- 3.6 Operational Directors are provided with a motor vehicle for the performance of their duties whilst Support Directors may request a motor vehicle as a benefit in kind.
- 3.7 No other bonuses are paid to the Directors.
- 3.8 Appropriate professional fees are paid.

¹ Decision on NJC national pay award for 2015 pending.

4. Area Managers

- 4.1 Area Managers who have operational firefighting responsibilities (Operational Area Managers) are employed under contracts of employment on the terms and conditions as set out in the National Joint Council for Local Authority Fire and Rescue Services and Middle Managers Negotiating Body Scheme of Conditions of Service (Grey Book) where applicable, as amended and supplemented by local collective agreements reached with trade unions recognised by the CFA, Service Procedures and other instructions as amended.
- 4.2 Area Managers who have non-operational responsibilities (Support Area Managers) are employed under contracts of employment on the terms and conditions as set out in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service (Green Book) where applicable, as amended and supplemented by local collective agreements reached with trade unions recognised by the CFA, Service Procedures and other instructions as amended.
- 4.3 Pay for Area Managers is set and increased in accordance with the Grey Book.
- 4.4 Operational Area Managers receive £ 55,568.04 plus a 20% Flexible Duty Allowance and a 10% payment for working the Strategic Manager Gold Rota.²
- 4.5 Support Area Managers receive £55,568.04 except for one Area Manager who receives £50,658.00.³
- 4.6 Operational Area Managers are provided with a motor vehicle for the performance of their duties whilst Support Area Managers may request a motor vehicle as a benefit in kind.
- 4.7 Area Managers receive no performance related pay or bonuses.
- 4.8 Appropriate professional fees are paid.
- 4.9 One of the Support Area Managers holds the appointment of Monitoring Officer.
- 4.10 Area Managers providing contingency cover during industrial action are entitled to additional payment(s).

5. Remuneration of All Other Staff

- 5.1 Operational staff below the level of Area Manager are paid in accordance with the nationally agreed rates under the Grey Book

² Decision on national pay award for 2015 pending.

³ Decision on national pay award for 2015 pending.

subject to any variations agreed locally. Staff are paid a fixed salary point.

- 5.2 Support staff below the level of Area Manager are paid in accordance with the nationally agreed rates under the Green Book. Each post is graded with a salary range and staff receive 1 increment a year until they reach the top of their grade.
- 5.3 For the purposes of this Policy "lowest-paid employees" are defined by reference to the lowest graded posts on the Support Salary Pay Scale as these are the posts with the least remuneration (with the possible exception of staff on the retained duty system who have been discounted for these purposes given the on-call nature of their employment). The lowest-paid post attracts a salary of £15,207. The CFO is paid 9.25 times more than the lowest paid employee.

6. Pensions

- 6.1 All staff have the right to join the relevant occupational pension scheme (the Firefighters' Pension Scheme or the Local Government Pension Scheme depending on the role undertaken) to which both they and the CFA make contributions.

7. Termination Payments

- 7.1 All staff are entitled to an enhanced redundancy payment based on their actual contractual gross weekly pay, rather than on the statutory maximum weekly pay. Weekly pay will be based on the employee's substantive role or temporary promotion where the employee has been temporarily promoted for a period of 12 weeks or more at the time of being placed at risk. The payment is further enhanced by a multiplier of 1.5.

8. Retirement and re-employment

- 8.1 All operational staff have the opportunity to seek retirement under the Firefighters' Pension Scheme and to request re-employment. If this is granted re-employment will only be for periods not exceeding 5 years in total.

9. Abatement of Pensions

- 9.1 Abatement rules apply to all staff who retire and are re-employed but do not apply in any other circumstance.

10. Re-employment following Termination

- 10.1 There is no prohibition on staff who have left employment with a severance or redundancy payment from being employed in a different post subsequently in response to a public advertisement for that post.

11. Policies and Procedures

11.1 This Statement provides an overview of pay issues for staff employed by the CFA and is subject to detailed Service Policies and Procedures as approved and amended from time to time and individual contracts of employment.

12. Publication

12.1 This Statement will be published and maintained on the Service website – www.leicestershire-fire.gov.uk.

12.2 Information relating to the remuneration of SMT members is fully set out in this Statement.

Schedule

Explanation of the CFO's Terminal Adjustment Payment

1. At its meeting on 21st September 2011 the CFA agreed to re-employ the CFO on a further 3 year fixed term contract in accordance with the Retirement and Pensions Policy with effect from 30th April 2012 on terms and conditions to be approved by the CFA at a later date.
2. At that time the CFA had an independent adviser on the pay and performance of the CFO. The adviser was tasked with drawing up options for the CFO's remuneration package for approval by the CFA. The adviser worked with the then Chairman and Group Leaders and was supported by the Treasurer, the Solicitor and Monitoring Officer and Leicestershire County Council's Pensions Section as necessary. The CFO was also consulted during the process.
3. The option chosen by the CFA on 30th November 2011, following the advice of the advisor, and agreed with the CFO was to make re-employment conditional upon the CFO drawing his Firefighters' Pension. A notional salary figure would be set from which the pension payment would be deducted with the difference being paid as salary. This would result in a saving to the CFA for the duration of the contract of more than £250,000 in lower salary costs and lower pension and national insurance payments.
4. It was recognised that this option would impact upon the CFO's pension under the Local Government Scheme (LGPS) (that he was eligible to join on his re-employment) as this is a final salary scheme and there was to be a significant reduction in his pensionable pay. To mitigate any loss to the CFO it was agreed that the CFO should be allowed to draw his LGPS pension at the end of his fixed term contract rather than having to wait a further 9 years until his 65th birthday. It was estimated that this would cost the CFA £50,000.

5. Subsequently, it was discovered that the early release of the CFO's LGPS pension would not be legally possible. As a consequence, the then Chairman and Group Leaders entered good faith negotiations with the CFO to vary the CFO's contract of employment to rectify the problem.
6. Further comprehensive pensions advice from specialist external advisers was sought and alternative approaches were identified. These were discussed with the CFO and External Audit and a proposed way forward agreed with the CFO. This was based upon paying the projected "loss" to the CFO in not receiving the early release in full (based on a life expectancy of 81 years). Assuming an investment return based on the 'risk free' return from a government bond of 3.40%, the lump sum necessary to make up for this loss would be around £50,000.
7. On 13th February 2013, the CFA agreed the payment of a terminal adjustment of £50,000 to the CFO subject to achievement of an agreed transition plan as determined by the CFA.