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AGENDA

Committee:	Staff Appointments & Review Panel
Date and Time:	<u>Tuesday 27 February 2024 at 7pm</u>
Venue: <u>NB</u>	<u>Committee Room 1 Council Offices Kiln Road</u>
Membership:	Councillors Blackwell (Chairman), Acott, Campagna, Mrs Egan, W. Gibson, Mountford, Savage.
Officers attending:	Ms Angela Hutchings – Chief Executive Ms Deborah Cook – Head of HR &OD Transformation Ms Mykela Pratt - Assistant Director People & Engagement Miss Ann Horgan – Head of Governance
Committee Enquiries:	Ann Horgan, Ext. No. 2413

PART 1

(Business to be taken in public)

- 1. Apologies for Absence**
- 2. Minutes**
Minutes of the business meeting held on 5 July 2023 are attached.
- 3. Transforming Together – Corporate HR Update**
A report is attached.
- 4. Next Steps Arising from an Internal Audit Report into Senior Management Pay and Conditions**
A report is attached.

PART 2

(Business to be taken in private)

(Item to be considered with the press and public excluded from the meeting)

There were no items known a time of publication of the agenda.

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STAFF APPOINTMENTS AND REVIEW PANEL MINUTES

5th JULY 2023

PRESENT:

Councillors Blackwell (Chairman), Acott, Campagna, Mrs Egan, W. Gibson, Mountford, Savage.

1. MEMBERS' INTERESTS

No disclosures were made.

2. TERMS OF REFERENCE

The Terms of Reference were before the Panel.

Resolved: to note the Terms of Reference of the Panel are:

- a. To review and approve as necessary the Council's overall strategic approach to work force matters including:
 - i. Organisational pay policy and strategy
 - ii. Human Resources related policies and procedures including:
 1. Recruitment and Selection
 2. Pay and Reward
 3. Performance Management
 4. Flexible working and work life balance
 5. Equality and Diversity
 6. Disciplinary and Grievance
 7. Managing Change having regard to changes in terms and conditions or variations to the establishment where these affect a number or group of officers.
 8. Human Resources and Organisation Development Strategy
- b. To review annually objectives set for Senior Officers (Chief Executive, Strategic Directors Heads of Service) and administration of performance related payments.
- c. To make recommendations to Council regarding the appointment of a permanent Chief Executive Head of Paid Service.
- d. To oversee the recruitment and appointment if required of a permanent Chief Executive Head of Paid Service.
- e. To make recommendations to Council on the terms and conditions of service dismissal including redundancy, voluntary redundancy, voluntary early retirement and retirement on grounds of ill health of the Chief Executive.
- f. To approve the appointment of any member of staff whose salary exceeds £100k.

- g. To be the committee responsible for the Independent Panel Process for statutory officers and to have powers of the investigation and disciplinary committee in the relevant JNC Handbook and Local Authorities (Standing Orders) (England) Regulations 2001 as amended, including capability and grievances;
 - i. To appoint as required independent investigators and independent advisors as required.
 - ii. To suspend a Statutory Officer, if considered appropriate
 - iii. To agree severance terms for Statutory Officers, including where any severance package exceeds £100,000 and Members consider it would be appropriate for the Committee to decide rather than report to Full Council.

3. TRANSFORMING TOGETHER – CORPORATE HR UPDATE

In accordance with the terms for reference for the Staff Appointments and Review Panel, the purpose of the report was to enable the Panel to have oversight and accountability over workforce management matters.

The Panel was advised it was good practice to review existing HR policies on a regular basis to ensure they meet the needs of the business and remain compliant with employment law. Details of new or revised policies would be reported as and when appropriate, to ensure the panel has oversight of any HR related policy changes.

Revision of two policies had been undertaken which were considered and reviewed by the Panel.

The Market Supplement Policy enabled the Council to attract and retain staff in key roles due to skills shortages in the market. This policy enabled the Council to respond effectively to maintain required workforce numbers to mitigate risk to service provision.

Consultation was held with Unison and GMB trades union partners and their sign off to the policy has been provided.

Application of the policy required a business case with supporting evidence to be considered and approved by officers in accordance with relevant delegations. The award of a market supplement was time bound and would be reviewed after 12 months.

Monitoring of the market supplement policy was the responsibility of HR working with the appropriate Senior Officer responsible for the service concerned and would be reported through the Pay Policy Statement to Full Council.

The Redundancy policy before the Panel updated the policy that had been in place since 2011 and reflected the Council's legal obligations and the details of the enhanced redundancy payments available to all employees.

No change had been made to the 1.8 multiplier for redundancy payments that was in place, however, after reviewing the policy it was found that the Council was not using the Government's Statutory Redundancy Calculator as the starting point for the calculation of redundancy pay.

The policy had been updated to rectify this point and agreement was made with the Trade Unions as follows: -

Special Provision: Any employee made redundant on or before 31 March 2024 as a result of the Transforming Together programme, will receive enhanced redundancy pay based on the terms of this policy, or if more beneficial to that employee, the enhanced redundancy pay from the previous CPBC redundancy scheme.

This Special Provision would not apply in respect of any employee made redundant on or after 1 April 2024 on which date this Special Provision wording would be removed from this policy. A full review of the redundancy policy with trades union partners was intended to take place during 2024.

Resolved:

Having reviewed the Market Supplement Policy and Redundancy Policy to note the content of the report.

4. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:

For the purpose of Section 100A (4) Local Government Act 1972 as amended as the business contains information relating to an individual or is likely to reveal the identity of an individual (Exempt Information under Paragraphs 1 & 2 Schedule 12A Local Government Act 1972) to exclude the press and public from the meeting to enable the business of the meeting to be transacted in private

5. TRANSFORMING TOGETHER (TT)– REORGANISATION WORKSTREAM.

(Exempt Information Paragraph 1, 2 & 4 Schedule 12A Local Government Act 1972 as amended)

A report was presented to the Panel to enable the Panel to have oversight and accountability over workforce management matters.

The report outlined progress to date of the restructure of the senior leadership tiers through the TT programme. This included an overview of redundancies including information regarding the postholders at risk.

The report also addressed the processes to progress the new Tier 2(Directors) senior leadership structure. The Panel was advised of the terms and conditions of appointment, the processes to be undertaken in the selection and appointment of these Chief Officers including the role of the Panel.

The report described the process to be followed in establishing the next layer of the organisation reporting to the Directors. These new Tier 3 roles would see the creation of new Assistant Director roles. This process would be undertaken in two phases. The new tiers, Tier 2 Directors and Tier 3 Assistant Directors organisation structure and roles were to go live on 1 November 2023.

Members of the Panel asked questions regarding the processes and the appointments.

Resolved:

To note the report.

Chairman

STAFF APPOINTMENTS & REVIEW PANEL

27th February 2024

Subject:

Transforming Together – Corporate HR Update

1. Purpose of Report

In accordance with the terms for reference for the Staff Appointments and Review Panel, the purpose of this report is to enable the panel to have oversight and accountability over workforce management matters.

2. Links to Council's Priorities and Objectives

This item has links to all Council priorities and objectives.

3. Recommendations

That the Panel reviews and notes the contents of this report .

- Job Evaluation and Single Status
- Pay Policy Statement
- Gender Pay Gap Report
- Employee Recognition Scheme
- HR Policy Framework

4. Background

Job Evaluation and Single Status

- 4.1 The scope of the Transforming Together Organisation Redesign workstream included identifying the implications of workforce in relation to implementing a new organisation operating model based on the outcomes of the LGA's DMA work. Including the implementation of the NJC single status job evaluation scheme. The scope of this project includes the implementation of a transparent pay and grading system that is underpinned by robust job evaluation for all roles in the organisation; to provide a single status agreement with the trades unions, and to conduct a review of other terms and conditions.
- 4.2 For roles created through the Transforming Together Organisation Redesign programme, all tier 2 (Director) and tier 3 (Assistant Director) roles were evaluated

by the East of England LGA (EELGA) using the Senior Manager Job evaluation scheme which was specifically designed by the LGA to apply to senior roles in local government.

- 4.3 The Council does not at this time have a transparent pay and grading system underpinned by robust job evaluation for roles at tier 4 and below. This is highly unusual and does not reflect good practice. It exposes the Council to the risk of pay equity challenge. To address this, it is proposed to use the NJC single status job evaluation scheme which is used in the majority of local councils. The scheme is jointly “owned” by unions and employers, is deemed to be “equality proofed” and is free to use.
- 4.4 In addition the Council has not to date conducted a review of other terms and conditions to ensure any additional payments or benefits in place are applied in a fair and consistent way across the whole workforce.

Pay Policy

- 4.5 The Council is required to produce an annual Pay Policy Statement under Section 38 of the Localism Act (2011). The statement sets out remuneration arrangements across the Council for all staff including the Leadership Team and Chief Executive.

Gender Pay Gap

- 4.6 All organisations with 250 employees or more are required to report their gender pay gap by 30 March each year.
- 4.7 The gender pay gap represents the difference in the average – mean or median – hourly pay of male and female employees within an organisation. This is expressed as a percentage, with a positive figure being in favour of males or a negative figure being in favour of females.

Employee Recognition Scheme

- 4.8 As part of the Council’s ongoing commitment to employee engagement, the Key Change Champions (KCCs) employee forum have proposed a new employee recognition scheme. The scheme will ensure that there is a consistent, quality approach to recognising the excellent work carried out by our valued employees.

HR Policy Framework

- 4.9 Commissioned by the Head of Paid Service, under the scope of the TT Programme a preliminary review of the council’s suite of over 30 HR policies has been completed. The review considered the suite of HR policies against current employment law; best practice in local governance and ease of use and application of the policy for employees and managers.

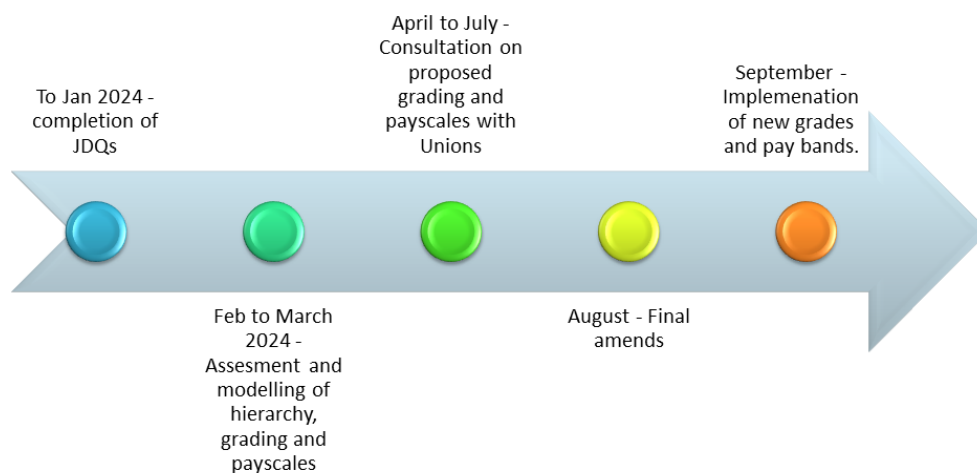
5. Report

Job Evaluation and Single Status Agreement

- 5.1 The Single Status Agreement is a national agreement between the Council employers and the trades unions. It was introduced in 1997 as part of the pay settlement and amended by the 2004 settlement. Councils were required to implement this agreement at local level with any local variations agreed upon through local negotiations with Trade Unions.
- 5.2 The Single Status Agreement aims to ensure equity - equal pay for work of equal value. Historically, some Council employers had maintained a pay gap between male and female employees. Some roles seen as traditionally 'female' may not have been properly rewarded, regardless of their work content or the value they bring. Failure to demonstrate equal pay for equal work has resulted in a number of councils having to defend legal cases.
- 5.3 Despite this agreement being put in place at National level for 27 years. Castle Point Borough Council has yet to implement this at the local level. It is understood to be the only Council in the UK without a local single status agreement in place, an issue that the current project seeks to address.
- 5.4 As part of this national Single Status Agreement, the NJC (National Joint Council) job evaluation scheme was devised to support single status and agreed by both union and management. It allows local authorities to evaluate posts using a bias free and tested scheme and to ensure that there is a transparent Job evaluation scheme for use to enable equal pay/single status issues to be addressed.
- 5.5 To implement job evaluation and a single status agreement, the starting point has been to assess the current roles, pay, hierarchy of roles that are in the organisation structure. This has been achieved through the evaluation of each role within the council (using the NJC job evaluation scheme). This has been undertaken in-house through the engagement of employees, managers and trades union and overseen by a technical expert.
- 5.6 At the commencement of the project in June 2023 a Job Evaluation Steering Board was established. The board meets fortnightly with representatives from the Regional Trades Unions, the Castle Point Business sponsor and project / technical resource. This has promoted collaborative working and enables the project to progress to time with support of the trades unions. The Steering Group has focused mainly upon the NJC Job evaluation element of the Single status agreement.
- 5.7 The NJC Job Evaluation scheme looks at the content of jobs across 13 different factors and uses a set of factor level descriptions to enable judgements to be made by the evaluation panel on the level/depth of use of each of these factors within each post as described in the job record document or job description. Evaluation is by a trained panel. Panels comprise one HR representative, a business

representative and a trades union representative is also invited. Moderation Panels, comprising different business, trades unions and HR representatives from the evaluation panels, then review job evaluation outcomes to ensure they are appropriate and consistent across the organisation.

5.8 The key steps and milestones in this project are illustrated below



- 5.9 Through the effective engagement of managers, employees and trades union partners, the project has made good progress and is to track to deliver to the timeline outlined above.
- 5.10 Job Descriptions Questionnaire provide the information for Job Evaluation and have been completed by Managers, through engagement with employees and trades unions. These have then been evaluated by the Evaluation Panels. To date 121 roles have been through this process which equates to 95% of the roles at Tier 4 and below.
- 5.11 Using the results of the job evaluation exercise a full assessment and modelling of the hierarchy of roles and the associated grading and pay scales is being undertaken by the project team. This will produce a pay and grading model and identify any impact on the salary cost to the organisation going forward.
- 5.12 Formal negotiations will start with Trade Unions in April 2024 to implement the new pay and grading model including any other associated terms and conditions. It is hoped that a Single Status collective agreement will be reached with Trade Unions which will then allow Castle Point to implement the new pay and grading system and any other changes to terms and conditions needed as part of this.
- 5.13 As the job evaluation process is new to Castle Point and may ultimately affect pay, it has understandably caused uncertainty and concern amongst staff. The project

has to date focussed on the mechanics of job evaluation, with the pay to grading work only just starting. This means that it is not yet known what the impact on pay will be for staff or the organisation. The HR team will work with the Chief Executive, S151 and Monitoring Officers to develop a pay and grading system that balances the primary objective of ensuring an equitable, transparent pay and grading scheme with employee engagement, attraction and retention in a way that is affordable for the Council.

Pay Policy Statement

- 5.14 The Localism Act 2011 (the “Act”) brought together the strands of increasing accountability, transparency and fairness in the setting of local pay. All Councils were required to publish a Pay Policy Statement for the financial year 2012/13, and for each subsequent financial year, before the 31 March immediately preceding the financial year to which it relates. The Act requires that Pay Policy Statements, and any amendments to them, are considered by an open meeting of the Full Council. The Pay Policy Statement is produced in accordance with Chapter 8 of the Act. It is made available on the Council’s website which also includes separately published data on salary information relating to the Leadership Team.
- 5.15 The Pay Policy Statement for this year, as usual, is to be taken to the Full Council on 21 February 2024 for consideration as part of the wider Policy Framework and Budget Setting report for 2024/25. As a result of the Council’s ongoing Job Evaluation (JE) project, it will be necessary to revisit the Council’s pay policy statement during 2024 as the outcome of JE may have an impact on pay across the entire workforce. Any amendments to the Pay Policy Statement required during the year will be reported to the Staff Appointments and Review Panel and the Full Council for consideration.
- 5.16 The Pay Policy Statement is included in Appendix 1.

Gender Pay Gap Reporting

- 5.17 All organisations with 250 employees or more are required to report their gender pay gap by 30 March each year. The salaries used in this report are taken from 31 March 2023.
- 5.18 The gender pay gap represents the difference in the average – mean or median – hourly pay of male and female employees within an organisation. This is expressed as a percentage, with a positive figure being in favour of males or a negative figure being in favour of females.
- 5.19 The gender pay gap is different to equal pay. The gender pay gap is the measure of the overall difference in pay between the average earnings of male and females. It is important to note that having a gender pay gap does not mean there is an

equal pay issue. Equal pay is about men and women receiving equal pay for equal work and it is unlawful to pay people unequally because they are male or female.

- 5.20 The Council's Gender Pay Gap is as follows, with comparison to the previous year:

	31 March 2023	31 March 2022
Mean Gender Pay Gap	-3.1%	3.5%
Median Gender Pay Gap	-7.2%	-9.3%

- 5.21 The full gender pay gap report for publication can be found at Appendix 2 of this report.

Employee Recognition Scheme

- 5.22 Through the work of the Key Change Champions (KCC), which is our employee forum, a new employee recognition scheme has been developed and approved by the Head of Paid Service.
- 5.23 The scheme will help ensure that employees feel valued and appreciated on a regular basis and provides the ability for colleagues and managers to nominate employees for their achievements. The proposed implementation date for the scheme is March 2024 with a review of its success undertaken in due course so that it can be adapted if necessary.
- 5.24 It is critical that the scheme is accessible to all staff, including our valued frontline services who may not have regular access to computers and the HR service will ensure the ability to nominate and be nominated is open to all.
- 5.25 Further details of the scheme can be found in Appendix 3 of this report.

HR Policy Review Forward Plan

- 5.26 Good employment policies should support a culture based on trust, fairness and inclusion. They can also speed the decision-making process by ensuring that clear guidance is readily available to cover a range of employment issues. Further, they can assist in avoiding involvement with employment tribunal claims by providing guidance for managers that reflects accurately current employment law and good practice. It is therefore important that employment policies are clear, easy to understand, up to date and reviewed regularly.
- 5.27 The Council's HR Policy Framework currently consists of over 30 policy documents, many of which require updating as well as consideration needed as to their ongoing relevance. There are also some key policy documents that the Council would benefit from introducing.

- 5.28 For context, legally the Council is only required to have three policies in place – Disciplinary and Dismissal, Grievance and Health and Safety policies – however it is best practice to have additional policies in place to cover key issues, examples such as Sickness, Equality, Diversity and Inclusion, Recruitment and so on, to protect the Council and provide clarity to managers and employees.
- 5.29 As such it is proposed that the HR Policy framework is refreshed, with the desired end state achieving a full suite of policies linked to the employee lifecycle. Policies will have a consistent format and tone and be simple to understand / apply with supporting guidance and templates included as appropriate. This will ensure the Council has a comprehensive suite of policies that support good people management practice and ensure the Council meets its duty of care obligation to employees.
- 5.30 The review will initially focus on the policies set out in the table below. These are being prioritised to ensure the Council has robust policies in place to support upcoming organisational change and priorities. All policy reviews will incorporate the Council's Values and Behaviours in order to further embed them into Council practice and organisational culture.

Policy	Review Timescale
Managing Organisational Change	Q4 2023/24
Employee Volunteering*	Q4 2023/24
Recruitment, Retention and Onboarding	Q1 2024/25
Performance Management	Q1 2024/25
Pay and Reward	Q1 2024/25

Note* - The proposed Employee Volunteering Policy has been driven forward as a new policy through the Key Change Champions (KCCs) forum.

- 5.31 Consultation will be held with Trade Unions and engagement with the wider workforce via Key Change Champions (KCCs), as appropriate.
- 5.32 In addition to the full review required, there are interim key upcoming legislative changes. As these are time sensitive, they will be incorporated into relevant Council policies without delay.

6. Corporate Implications

(a) Financial Implications

There are no direct financial implications arising from this report which is for noting only. Provision is made within the budget to cover some of the potential financial implications arising from Job Evaluation whilst budget has been allocated from

April 2024/25 for the employee recognition scheme. The HR policy review will be delivered from within existing resources.

(b) Legal Implications

Legal implications are addressed in the report. All employment policies are scrutinised to comply with all relevant employment law legislation including the Equality Act 2010.

(c) Human Resources and Equality Implications

The existing equality impact assessment undertaken for the Transforming Together Programme gave due consideration to Job Evaluation and HR Policy and remains relevant. A detailed equality impact assessment for each element will be completed at the appropriate time.

(d) IT and Asset Management Implications

There are none.

7. Timescale for implementation and Risk Factors

Relevant timescales are set out within the report. Risks are managed through steering group for the Job Evaluation project and risks with regard to the HR policy review work will be managed by the HR team at the appropriate time.

8. Background Papers

Pay Policy Statement
Gender Pay Gap Report
Employee Recognition Scheme

Report Author: Deborah Cook, Head of OD & Transformation / Mykela Pratt, Assistant Director People & Engagement

Appendix 1 – Pay Policy Statement

1. Introduction

- 1.1 The Localism Act 2011 (the “Act”) brought together the strands of increasing accountability, transparency and fairness in the setting of local pay.

All Councils were required to publish a Pay Policy Statement for the financial year 2012/13, and for each subsequent financial year, before the 31 March immediately preceding the financial year to which it relates.

The Act requires that Pay Policy Statements, and any amendments to them, are considered by an open meeting of Full Council.

This also applies to:

- New appointments to posts carrying a salary package of £100,000 and above will be presented for approval by full Council.
 - Severance packages for staff leaving the authority of £100,000 and above will be presented for approval by full Council. Full detail of the severance package should be presented including PILON, redundancy compensation, pension entitlements, holiday pay and any performance pay/bonus, fees or allowances.
- 1.2 The Localism Act 2011 requires the Pay Policy Statement to include the Council’s policies relating to:
- The remuneration of its Chief Officers
 - The remuneration of its lowest paid employees
 - The relationship between the remuneration of the Chief Officers and other officers
 - The specific aspects of the officers’ remuneration such as remuneration on recruitment, use of performance related pay and bonuses, termination payments and transparency.
- 1.3 The Pay Policy Statement must also set out the definition of “lowest-paid employees” and the Council’s reasons for adopting that definition.
- 1.4 This Pay Policy Statement is produced in accordance with Chapter 8 of the Act. It is made available on the Council’s website which also includes separately published data on salary information relating to the Leadership Team. The Pay Policy Statement complies with the requirements of the Act and relevant guidance.

2. **Definitions**

2.1 A Chief Officer is defined as:

- The monitoring officer designated under section 5(1) of that Act
- The statutory chief officer mentioned in section 2(6) of that Act
- A non-statutory chief officer mentioned in section 2(7) of that Act
- A deputy chief officer mentioned in section 2(8) of that Act.

2.2 Definition of Lowest paid staff:

A member of staff performing duties of an unskilled nature will receive a salary determined by scale point 2 on the NJC pay scale structure. This definition has been chosen as the lowest grade paid to an employee of the Council.

Apprentices are paid in accordance with the HMRC National Minimum Wage Rates which are based on age.

3. **General policies relating to all staff**

The following policies are applicable to all staff:

- 3.1 All staff (except the Chief Executive and Chief Officers) will receive the annual national NJC pay increase for Local Government employees, if and when offered and agreed by the Local Government Employers.
- 3.2 New members of staff will commence at a salary point within the range for the post dependent upon the knowledge, skills and competencies of the individual and having regard to current and previous salary levels.
- 3.3 In accordance with the principle of equal pay, all staff will be treated equally irrespective of gender and average pay for men and women will be equal for like work. The Council has a legal duty to report on the gender pay gap and this information is published on the Council's website.
- 3.4 The Council uses pay benchmarking and the principles of the NJC Job Evaluation Scheme to set pay grades for new posts and regradings. A formal job evaluation exercise using the NJC Job Evaluation Scheme is underway and expected to be implemented in September 2024.
- 3.5 The Council has a Pay Protection Policy for those staff whose posts are downgraded as a consequence of changing organisational requirements where this results in a salary reduction.
- 3.6 Increments will be paid on 1st April each year until the maximum of the level is reached subject to the following:

a) Increments may be accelerated within an officer's scale at the discretion of the authority on the grounds of special merit or ability, subject to the maximum of the level not being exceeded as approved by the Director of the relevant service.

b) An increment may be withheld due to poor performance but this will only be applied where correct probation, performance management and / or capability procedures have been followed.

c) Employees with less than six month's service in the grade by 1st April shall be granted their first increment six months from the actual date of their appointment, promotion or regarding, subject to satisfactory performance.

Note. Any action under (a) or (b) shall not interrupt the payment of subsequent increments on 1st April.

- 3.7 Where an employee is required to hold a membership of a professional body to carry out their role, one professional subscription will be paid annually by the Council on behalf of the employee.
- 3.8 When an employee has worked for the Council for a continuous period of 25 years an award of £500 is made in recognition of their service.
- 3.9 Annual Leave, on entry 23 days plus 2 statutory days, increasing to 26 days plus 2 statutory days after five years' service.
- 3.10 Membership of the Local Government Pension Scheme (Employees can exercise the right to opt out).
- 3.11 The Council has agreed policies in place for Redundancy, Redeployment and Retirement.
- 3.12 Where applicable, the following benefits are offered to staff as part of their salary package:
- Flexible working arrangements (can relate to hours or time worked, or full or part home working)
 - Flexitime (allows flexibility in start, finish and lunch times as well as hours carried forward to better match the needs of the Council and employee)
 - Free staff membership at Waterside Leisure Centre for use of the swimming pool and fitness suite (not classes) to improve the health and wellbeing of staff working a minimum of 15 hours per week. Use of the swimming pool also free at the Runnymede Leisure Centre with access to the fitness suite at lunchtimes only.
 - Casual car user allowance or essential car user allowances.
 - Market supplements (to attract and retain the right calibre staff to key posts). There are market supplements in place for five employees and one job group

(Refuse Drivers) paid in accordance with a policy which will continue to be reviewed as part of the Council's Single Status discussions.

4. Remuneration for the Leadership Team

The Leadership Team's salary range is published on the Council's website and detailed below and is subject to ongoing appraisal.

4.1 Chief Executive and Head of Paid Service

All general policies set out in section 2 (above) apply to the Chief Executive who also performs the statutory role of Head of Paid Service.

In addition to these, the following specific policies also apply.

- The salary scale for the Chief Executive is:

CEX1	131,367
CEX2	133,955
CEX3	136,542

- The Chief Executive will receive the annual national pay increase for Chief Executives if, and when offered and agreed by the Local Government Employers.
- The Chief Executive also receives a (Deputy) Returning Officer fee in respect of District, County and Town Council elections. Payment for Local election duties are based on a locally determined scale according to the number of electorate and payment is in addition to the Chief Executives basic pay. Fees for conducting Parliamentary/European and Police & Crime Commissioner elections and referenda are determined by way of a Statutory Instrument.
- The Chief Executive does not receive any additional payments such as performance related pay, retention or market supplement payments.
- The Chief Executive receives 35 days annual leave plus 2 statutory days.

4.2 Chief Officers and Assistant Directors

The Council employs three Directors and twelve Assistant Directors as part of the Leadership Team, one of whom performs the statutory role of Monitoring Officer and one who performs the statutory role of Section 151 Officer.

All general policies set out in section 3 (above) apply to the Leadership Team. In addition to these, the following specific policies also apply.

- The Directors will receive the annual national pay increase for Chief Officers if, and when offered and agreed by the Local Government Employers.
- The Directors receive 35 days annual leave plus 2 statutory days.
- The Assistant Directors will receive the annual national pay increase for local government employees if, and when offered and agreed by the Local Government Employers.

4.3 **Publication of and access to information relating to remuneration of Chief Executive and Chief Officers and senior posts paid over £50k**

The remuneration of the Chief Executive and Chief Officers is disclosed in the Annual Statement of Accounts and published on the Councils website: <https://www.castlepoint.gov.uk/accounts>

Details of the remuneration of the senior posts are published in the Data Transparency section of the Council's website: <https://www.castlepoint.gov.uk/data-transparency>

4.4 **Relationship between the remuneration of the Chief Executive and all other staff**

The Hutton report discussed the merits or otherwise of putting a ceiling on managers from earning more than 20 times the pay of the lowest paid person in their organisation.

The Council's current ratios, based on annual gross pay of all employees in post as at 31 March 23, are:

- The ratio of the highest earning officer (Chief Executive) to the lowest paid full time equivalent employee in the Council is 6:1.
- The ratio of the highest earning officer to the average of all other staff in the Council is 5:1.
- The ratio of the average of the Chief Executive and other Chief Officers earnings to the average of all other employees is 3:1.

The Council will ensure that the ratios remain below the guideline ceiling.

4.5 **Limitation of the ratios**

The ratios set out above should be used as a general guide only. The data used to calculate the ratios for the different categories of employees may differ for a variety of reasons which makes direct comparisons difficult. Average earnings will vary according to the mix of employees at any given point in time.

5. **Performance related pay and Bonuses**

No Performance Pay or bonus schemes are in place.

6. **Review of Pay Policy**

Any amendments to the Pay Policy Statement required during the year will be reported to Full Council.

Appendix 2 – Gender Pay Gap Report

Castle Point Borough Council

Gender Pay Gap report, 30 March 2024

Background

All organisations with 250 employees or more are required to report their gender pay gap by 30 March each year. The salaries used in this report are taken from 31 March 2023.

The gender pay gap represents the difference in the average – mean or median – hourly pay of male and female employees within an organisation. This is expressed as a percentage, with a positive figure being in favour of males or a negative figure being in favour of females.

The gender pay gap is different to equal pay. The gender pay gap is the measure of the overall difference in pay between the average earnings of male and females. It is important to note that having a gender pay gap does not mean there is an equal pay issue. Equal pay is about men and women receiving equal pay for equal work and it is unlawful to pay people unequally because they are male or female.

Workforce profile

316 qualifying employees were working for Castle Point Borough Council on 31 March 2023. This total was comprised of 182 female and 134 male employees.

What we report on

What we report	What it is
Mean gender pay gap	<p>Average gender pay gap as a mean average.</p> <p>This calculation requires an employer to show the difference between the mean hourly rate of pay that male and female full-pay relevant employees receive.</p> <p>A mean average involves adding up all of the numbers and dividing the result by how many numbers were in the list.</p> <p>The Mean Gender Pay Gap calculation looks at the difference between the average hourly pay of all males and the average hourly pay of all females.</p>
Median gender pay gap	<p>Average gender pay gap as a median average.</p> <p>This calculation requires an employer to show the difference between the median hourly rate of pay that male and female full-pay relevant employees receive.</p> <p>A median average involves listing all of the numbers in numerical order. If there is an odd number of results, the median average is the middle number. If there is an even number of results, the median will be the mean of the two central numbers.</p> <p>The Median Gender Pay Gap looks at the difference between the hourly pay of the middle male employee compared to that of the middle female employee.</p>
Mean bonus gap	Average bonus gender pay gap as a mean average.
Median bonus gap	Average bonus gender pay gap as a median average.
Bonus proportions	Proportion of males receiving a bonus payment and proportion of females receiving a bonus payment.
Quartile pay bands	Proportion of males and females when divided into 4 groups ordered from lowest to highest pay.

Proportion of males and females in each quartile of the pay structure

Quartile	Male	Female	Description
Lower	46.8% (39.0%)	53.2% (61.0%)	Includes all employees whose standard hourly rate places them at or below the lower quartile.
Lower Middle	49.4% (56.4%)	50.6% (43.6%)	Includes all employees whose standard hourly rate places them above the lower quartile but at or below the median.
Upper Middle	30.4% (26.0%)	69.6% (74.0%)	Includes all employees whose standard hourly rate places them above the median but at or below the upper quartile.
Upper	43.0% (44.2%)	57.0% (55.8%)	Includes all employees whose standard hourly rate places them above the upper quartile.

This calculation requires an employer to show the proportions of male and female employees in four quartile pay bands, which is done by dividing the workforce into four equal parts. Percentages from March 2022 for comparison are included in brackets.

As at 31 March 2023, for Castle Point Borough Council the:

- **mean gender pay gap was -3.1%** (compared to 3.5% in 2022)
 - The male mean average is: £15.79 (compared to £14.94 in March 2022)
 - The female mean average is: £16.28 (compared to £14.41 in March 2022).
- **median gender pay gap was -7.2%** (compared to -9.3% in 2022)
 - The total number of male employees was: 134 (compared to 128 in March 2022)
 - The median male employee's hourly pay was: £13.12 (compared to £11.60 in March 2022)
 - The total number of female employees was: 182 (compared to 181 in March 2022)

- The median female employee's hourly pay was: £14.06 (compared to £12.68 in March 2022).
- mean gender bonus gap was 0% – the council does not make bonus payments to employees.
- median gender bonus gap was 0% – the council does not make bonus payments to employees.

Summary

Based on the snapshot data used, there are no significant variances between male and female pay. Both indicators show female pay is in excess of male pay when considering both mean and median calculations.

These calculations have been completed based on payroll data for March 2023, using guidance provided by EHRC (the Equalities and Human Rights Commission).

As the calculations reflect a snapshot at a point in time there will inevitably be variations each time the calculations are done, as different employees leave or join the council, or from other changes in amounts earned.

Further information on pay can be found in the Council's Pay Policy which is available on the Council's website.

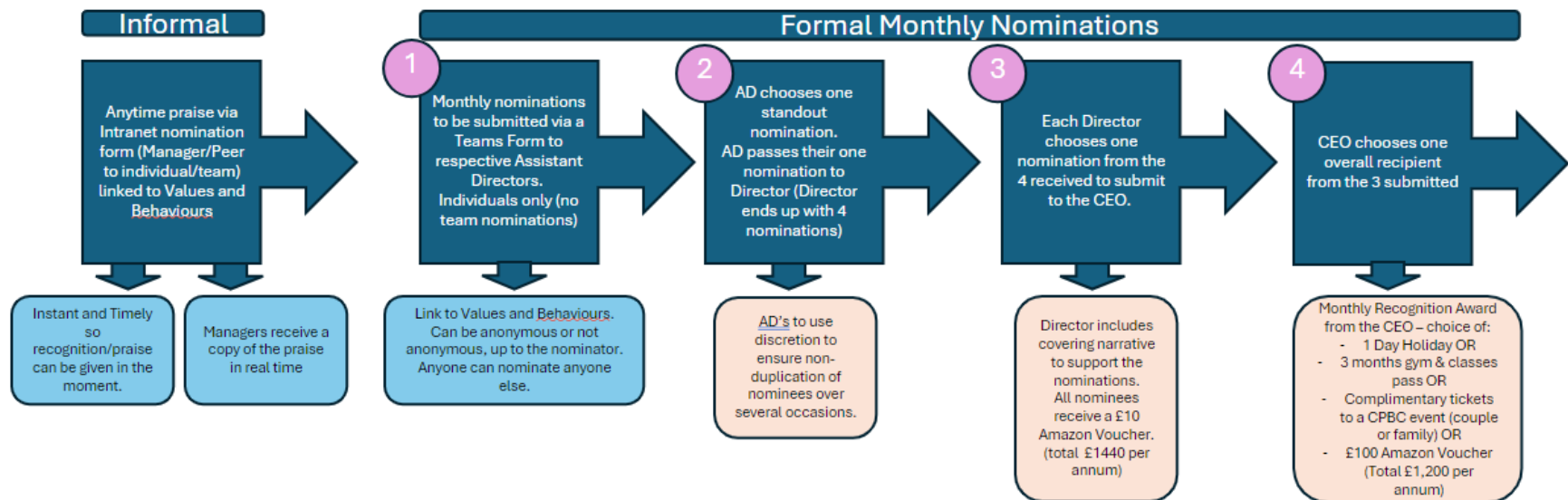
Our next gender pay gap report will be based on salaries as at 31 March 2024 and will be published no later than 30 March 2025.

Appendix 3 – Employee Recognition Scheme



Castle Point Staff Recognition Scheme

- The aim of the Staff Recognition Scheme is to ensure staff feel valued, boost morale, create goodwill and demonstrate that the council cares about its people.
- Recognition, both informal and formal, should be linked to the four values and behaviours of CPBC – Trust, Respect, Customer Focus, Improving & Learning



STAFF APPOINTMENTS & REVIEW PANEL

27th February 2024

Subject: Next steps arising from an Internal Audit Report into Senior Manager Pay and Conditions

1. Purpose of Report

To advise Councillors as to the next steps to be taken following an Internal Audit report into senior manager pay and conditions.

2. Links to Council's priorities and objectives

This report relates to the Council's enabler objective – democracy and its decision processes.

3. Recommendations

That the Committee resolves:

- (1) to recommend to Council to ratify the remuneration decisions made by and in respect of the late chief executive and the former chief finance officer as referred to in this report; or**
- (2) to bring to the attention of Council the unlawful decisions and potentially unlawful payments made at that time and obtain further legal and other professional advice and analysis with a view to issuing a claim or claims for restitution; or**
- (3) to bring to the attention of Council the unlawful decisions and potentially unlawful payments made at that time and write down these monies as not to be recovered or irrecoverable.**

4. Background

Senior Manager Pay and Conditions Internal Audit

- 4.1 In March 2021, the Council had in place an Interim Chief Executive following the death of its incumbent Chief Executive, David Marchant.**
- 4.2 In January 2022, an Internal Audit report into Senior Manager Pay and Conditions was begun. The terms of reference for this new audit were discussed and agreed with the Council's then s151 Officer, and the interim chief executive. The work took place from January 2022 and was substantially completed by**

April 2022. As a result of the findings of the audit, Internal Audit informed the then s151 Officer that the findings would be shared with the Council's external auditors, Ernst Young ("EY"), for their information.

- 4.3 The Council appointed a second Interim Chief Executive on 7 April 2022 and the current permanent Chief Executive on 3 May 2022 (confirmed at Annual Council on 18 May 2022). The Chief Executive took up post on 1 July 2022.
- 4.4 A finalised version of the Internal Audit findings (the "IA Report") was issued to the Chief Executive on 12 July 2022. A copy of the Internal Audit report is attached as Appendix A.
- 4.5 In summary, the IA Report identified a number of concerns with the approach taken to senior management pay and remuneration including:
 - a) A lack of an open, fair and transparent approach to recruitment to ensure the best suited individuals are recruited into senior roles, and the setting of salaries of these individuals;
 - b) The payment of market supplements and retentions without clear rationale or supporting evidence to substantiate the payments initially or on an ongoing basis;
 - c) Performance payments made to individuals without clear setting of objectives, or evidence of assessment to demonstrate performance has been satisfactory and thus payments are due;
 - d) Unequal and preferential treatment of senior managers via their pay and conditions compared to other staff within the organisation, including for the granting of flexible retirement and associated schemes;
 - e) Inappropriate authorisation of payments made by officers and deliberate attempts to conceal the actions being taken in some cases; and
 - f) Senior managers using their position within the organisation to change and develop policies that they will benefit from without following appropriate processes.
- 4.6 The basis of these findings was that:
 - a) The way in which the senior team had been assembled did not always follow a transparent recruitment process;
 - b) The remuneration paid (salary setting and composition) did not solely comprise a single base salary but was supplemented with performance related pay, market supplements and retention payments which had not been objectively valued or applied in accordance with any policy;
 - c) That a flexible retirement programme and associated scheme for buy-back of annual leave was not undertaken in a transparent way or in line with any policy.
- 4.7 As a consequence, monies paid pursuant to these schemes were potentially unlawful because the correct governance processes could not be demonstrated to have been followed.

External independent investigation

- 4.8 In the late summer/autumn of 2022, following discussions between the Chief Executive and EY it was agreed that an independent external investigation needed to take place to address the concerns raised in the IA Report and determine any further action required. The issues identified would impact EY's audit of the financial statements of Castle Point and separate VFM assessment. Terms of Reference were shared with EY and their requirements were incorporated, namely that the investigation should establish the full facts and circumstances of each element of the payments that had been made, including consideration of whether senior officers had knowledge of, or involvement in, the decisions taken to make the payments and to consider whether there were further matters or payments that had not currently been identified by the IA Report.
- 4.9 An experienced independent investigator was commissioned following advice from the Council's external legal advisers Bevan Brittan LLP. The purpose of the investigation was to provide the assurance sought by EY regarding the conclusions of the IA Report and to establish whether there was evidence of anything else which needed investigation. The investigation was not forensic in nature but it was evidence based, and the very experienced investigator was given the mandate to follow the investigation where the evidence took him.
- 4.10 The investigator began the commission in December 2022, speaking initially with the Internal Audit officers and then, after Christmas, began to interview various officers from across the organisation, including individuals who were no longer employed by or associated with the Council.
- 4.11 In summary, the conclusions of the investigation endorsed the findings of the IA Report and provided additional context of the facts behind those findings. It identified a culture where governance was weak and the usual checks and balances which should have operated through the roles and responsibilities of senior officers and members had failed. This in turn had resulted in some decisions, relating to senior officer pay and conditions, being taken incorrectly.
- 4.12 The investigation did not uncover any material additional issues of concern for the Council, nor was there any evidence of criminal activity. That was confirmed to EY in an update provided by the Chief Executive and the investigator. However, EY has noted that the scope of the investigation did go as far as it would have wanted in terms of review of the electronic and hard copy records and therefore cannot fully answer the question of whether there were further matters or payments which had not been identified by the IA Report.

Reporting to Audit Committee

- 4.13 On 12 July 2023, the Audit Committee considered a letter from EY which highlighted concerns about the impact of the slow progress on resolving this issue on the Council's transformation agenda as well as day to day operations due in part to the focus which the Chief Executive was having to give to this matter. The letter also explained that the issues arising from the IA Report needed to be resolved by the Council before EY was able to consider the results of that resolution and determine any impact that had on their audit of the 2020/21 financial statements.
- 4.14 The Committee noted the correspondence from EY and requested that the Chief Executive put in place all necessary arrangements as soon as possible to enable the 2020/21 Audit of Accounts to be concluded and that the IA Report be presented at the earliest opportunity to the Committee.
- 4.15 As the Independent Report confirmed the results of the IA Report and endorsed the recommendations that it made, the Chief Executive was finally able to provide the management response to the recommendations and the matter came before an Extraordinary Audit Committee on 24 July 2023, convened especially for that purpose. The matter remained private and confidential at that time because the IA Report contained information relating to identifiable individuals which meant that the Committee was conducted in private, with public and press excluded.
- 4.16 The contents of the IA Report were made available to all Members in July 2023, ahead of the Audit Committee on 24 July. It was unfortunately necessary to incept unusual procedures to view the document securely to protect its confidentiality. The Leader (Canvey Island Independents Party Group), the Deputy Leader (People's Independent Party Group) and the Leader of the Opposition (Conservative Group) were briefed by the Chief Executive and invited them to brief their members accordingly. The Chief Executive also briefed the Chair of the Audit Committee.
- 4.17 The Audit Committee formed the view that the work of the Transformation Programme had substantially addressed the issues raised by the IA Report and the Chief Executive provided assurance to the Audit Committee that all of the recommendations proposed by the IA Report were wholly accepted by management and were being actioned. The Audit Committee agreed that further reassurance could be provided to EY by including monitoring of the management action plan into the Transforming Together Audit in the Internal Audit Work Plan for 2023/24.
- 4.18 The Audit Committee was updated on progress at the meeting of the Committee on 29 September 2023 confirming that there were no outstanding actions on the management action plan that were expected to have been completed by that

time. Minute 15 of the Internal Audit Service Quarterly Performance report Q1 refers.

4.19 The Council is addressing the findings of the IA Report as follows:

- a) Through its Transformation Programme:
 - i. Restructuring to ensure recommendations of the LGA's Decision Making Accountability review are followed, to include appointment to Chief Officer roles is transparent and overseen by Members;
 - ii. Review of HR policies and reporting to Staff Appointments and Review Panel, (e.g. a new Market Supplements Policy) to ensure member oversight to updates and revisions;
 - iii. Introduction of Single Status and job evaluation of all new roles, along with new terms and conditions of employment;
 - iv. Cancellation of the annual leave buy-back scheme with effect from 1 April 2023 and removal of all other non-policy payment mechanisms as part of the adoption of new terms and conditions of employment; and
 - v. Adoption of a new Constitution for the Council to make clear the roles and responsibilities of members and officers; to ensure clear delegations and decision-making processes; and to improve and extend the terms of reference for Audit Committee, Review Committee (Standards) and the Overview & Scrutiny function.
- b) Through an Internal Audit workplan for 2023/24 focussed on risk management, governance and decision making and compliance; and
- c) Through ongoing transparency and co-operation with EY.

LGA Health Check

4.20 In addition, the Leader of the Council, together with the Chief Executive, commissioned the Local Government Association (LGA) to undertake a Corporate Health Check in December 2023. The purpose of the LGA's Corporate Health Check was to obtain a "critical friend" viewpoint as to progress made in the Council's transformation journey and the readiness of the Council to move forward on its ambitions to modernise the council and focus our services on the needs and experiences of residents and customers. The Corporate Health Check paves the way for a full LGA Corporate Peer Challenge to be organised later in 2024.

4.21 The Health Check report was reported through Cabinet on 17 January 2024 and acknowledged the risks around managing the conclusions of the IA Report but nonetheless validated the progress that the Council has made in terms of strengthening its governance and assurance frameworks, including the introduction of the new Constitution.

5. Proposals

Recommendations from external legal advisers

- 5.1 As a failure in governance in terms of decision making had been identified, it was necessary to seek a legal opinion as to whether those failures amounted to a breach of public law such that those decisions were beyond the powers of the Council (“ultra vires”) and, as such, unlawful.
- 5.2 The Council’s external legal advisers, Bevan Brittan LLP provided advice on the legality of the actions concerned and attached as Appendix B (not for publication). This advice was shared with EY on 23 October 2023. Further legal advice on the actions in respect of this report was also provided and shared with EY on 18 January 2024. However, EY is considering this advice but has not yet formed a view on the legality of the proposed options set out in this report. EY will be seeking its own legal advice and does not endorse or otherwise comment on the advice given by Bevan Brittan LLP.
- 5.3 The legal advisers were asked to provide an opinion on five distinct elements. These were:
- a) the make-up of pay, including performance pay, market supplements and retention payments;
 - b) flexible retirement decisions;
 - c) flexible retirement scheme additional payments;
 - d) authorising payments to oneself; and
 - e) payments to the deceased chief executive’s estate.
- 5.4 Of these, all had unusual elements and were considered by the legal advisers to lack due process and transparency, as had been identified in the IA Report. Nevertheless, it was their view that the decisions made by the late chief executive in respect of staff pay and conditions fell within the remit of his delegated authority as head of paid service to do so, bar two aspects. These aspects related to decisions taken by the late chief executive about his own terms and conditions of employment, rather than those decisions having been made by full Council or by another empowered committee or otherwise, and then subsequently by the former section 151 officer, for which they therefore had no power to make.
- 5.5 The first of these decisions was to apply the performance related payment mechanism to himself without formal governance sign-off by the correct Council body in later years.
- 5.6 The second was more serious, in that the late chief executive applied the annual leave buy-back scheme to himself. This was, in effect, an overtime payment scheme that the late chief executive had introduced in respect of those staff who had taken flexible retirement and now worked part-time. The scheme allowed flexibly retired part-time senior staff to work extra hours, accrue time off in lieu as

a result which was added to their annual leave and, at the end of the year, the senior officer was then permitted to claim any unused annual holiday as paid time. This scheme allowed the Council to buy back unused annual leave as working hours and, therefore, the transferred time off in lieu as de facto overtime. This was then included as part of remuneration arrangements referenced in adopted pay policy statements but was not put through the correct member governance as a policy for approval or in its application to the chief executive's position. As the late chief executive was himself a senior officer who was flexibly retired and officially working part-time, he approved payments to himself under this scheme. The late chief executive had not claimed back all of the time he had accrued over a significant period under the annual leave exchange scheme at the time of his death. The then section 151 officer, acting as his deputy in the following period, subsequently applied the scheme to the accrued time and authorised payment, likewise authorising her own payments under the performance scheme.

6. Options for Councillors to consider

- 6.1 Accordingly, these payments stand as having been unlawfully made in the opinion of the current statutory officers. It is therefore recommended that this Committee refers this matter to the meeting of full Council scheduled for 13 March 2024.
- 6.2 The options available for that meeting of Council are set out below, as reflected in the officer recommendations to the Committee, together with a summary of why these may form viable options for Council to consider.

Option 1: To recommend to Council to ratify the remuneration decisions made by and in respect of the late chief executive.

- 6.3 As contained in the IA Report and considered in the legal advice provided (attached as Appendices A and B respectively), it was found that the former chief executive and former s151 officer had authorised a series of decisions over a period of eight years that should have been made by Council, or a committee empowered by it to do so and thus without due authority, rendering those decisions ultra vires and challengeable at law. The legal advice obtained provides that, had the correct processes been followed, it was within the lawful ability of a suitable committee or Council to have reached the same decisions and outcomes.
- 6.4 As is the case with any decision made by a junior officer of body, it is always open to the senior and properly authorised body to ratify those decisions i.e. a decision by full Council. Accordingly, these decisions may now be made retrospectively, as a matter of ratification, which will have the effect of confirming the decisions and payments made to the then chief executive, his estate following his death and the former s151 officer.

Option 2: To note the view as to the unlawful decisions, and potentially unlawful payments made at that time, and to obtain further legal and other professional advice and analysis with a view to issuing a claim or claims for restitution.

- 6.5 This will require further legal advice and accounting support in order for Members to come to a view as to whether the costs involved in pursuing a claim or claims against the individuals involved, including the beneficiaries of late former chief executive's estate merit bringing a claim.
- 6.6 This will involve external assistance in considering the payments made in detail as to which and to what extent the payments are identifiable as recoverable on the basis they were paid unlawfully and can be asked to be paid back, known as restitution, for which the recipients have no right to hold, known as unjust enrichment.
- 6.7 As the payments were made to the late chief executive's estate, and that estate has now been paid out to his beneficiaries, it will involve tracing the history of payments to assess which assets of the beneficiaries of the estate are identifiable as being derived from the payments and to which the Council might now be able to make a claim.
- 6.8 This will also involve obtaining advice on the likelihood of success of any claim at law for restitution and unjust enrichment. This will include assessment of any potential defence to such a claim, such as might be raised in respect of terms and conditions of employment, both explicit but also implied terms that might be read into it as fair compensation for work done, a concept known as quantum meruit, or the extent to which the person in receipt being able to rely on the person they are dealing with to be acting with agency on behalf of the Council, so that they made their decisions based upon what they were told, known as ostensible authority, or where the position of the person in receipt of the monies has so changed that it would be inequitable in all the circumstances to require them to make restitution (typically where the person has detrimentally relied on the receipt in making extraordinary expenditure that is now irreversible and has done so in good faith), known as change of position.

Option 3: To note the view as to the unlawful decisions, and potentially unlawful payments made at that time, and to write down these monies as not to be recovered or irrecoverable.

- 6.9 This will be a necessary element of any consideration or decision to pursue potential restitution and is inherent in any authority granted to undertake legal action. It is a decision that may be considered as being in the best interests of the Council that may be reached at any point on the continuum of considering and then undertaking legal action.

- 6.10 This may also be a decision taken as a policy position at this time, but only if such is reasonably considered to be in the fiduciary interests of the Council and in reasonable fulfilment of its fiduciary duties to its taxpayers, and is a lesser alternative to Option 1.
- 6.11 It is therefore recommended that this Committee refers this matter to the meeting of full Council scheduled for 13 March 2024. In relation to alternative Options (2) and (3), that will also amount to a formal report of the Monitoring Officer and S.151 Officer to Council in respect of an unlawful decision concerning expenditure of the Council having been made.

7. Further steps

Actions expected from the external auditor

- 7.1 EY has now indicated that it is minded to issue a disclaimer opinion in respect of our accounts for the financial years 2020/21; 2021/22; and 2022/23. They remain open to agreeing a different treatment of our accounts for the current financial year 2023/24 provided the appropriate assurances can be given.
- 7.2 A disclaimer opinion is given where the auditors face what they consider to be pervasive risks that undermine the control arrangements that the Council has in place, meaning that they are unable to obtain sufficient appropriate audit evidence to support provision of an unqualified opinion. It does not mean that there is material misstatement, but that they are unable to efficiently obtain sufficient evidence to satisfy themselves that there is not material misstatement. The basis of the disclaimer for the financial years 2020/21 and 2021/22 is the “pervasive risk of fraud” arising from the issues identified (unlawful transactions that were not disclosed to EY and inadequate controls and alleged deliberate circumvention of controls) which mean that EY is unable to conclude on the completeness, accuracy and reliability of information and representations received from senior management who were in post at the time of preparation of the financial statements.
- 7.3 The financial year 2022/23, is slightly different. Nationally, the external audit of local government has been under significant pressure for some time. The National Audit Office records that only 5 out of 467 bodies met the September 2023 deadline for 2022-23 audits, increasing to just 45 by the end of December 2023. Another 349 remain outstanding from the 2021-22 financial year and earlier. The Government is proposing a national “re-set” which would qualify or disclaim accounts for those accounting periods, including 2022/23, allowing the market to re-set and commence again with the whole local government sector for the current financial year 2023/24. This would, therefore, apply to the Council in

any event but it remains to be seen whether EY would consider any additional reasons for the disclaimer.

- 7.4 The impact of a disclaimer opinion lasts beyond the financial year in which it is issued and until the pervasive risk is mitigated or neutralised. It is vital, therefore, to get the accounts back on track as quickly as possible – usually through extending the scope of additional audit work.
- 7.5 In addition to the disclaimer opinions, EY is minded to issue a Public Interest Report (PIR) pursuant to its statutory duties under Schedule 7 of the Local Audit and Accountability Act 2014. This is intended to be reported to the Audit Committee on 10 April 2024.
- 7.6 Schedule 7 requires the auditor to consider whether, in the public interest, they should make a report on any matter coming to their notice during the audit relating to the authority, so it can be considered by the authority or brought to the attention of the public. The auditor has a duty to send a copy of the report to the Secretary of State at the Department for Levelling Up, Housing and Communities.
- 7.7 If a Public Interest Report is issued, the Council must:
- a) publish the report and a notice stating the subject matter of the report and stating that members of the public may inspect the report.
 - b) the notice must be published on the website of the authority.
 - c) send a copy of the report to each of its Members;
 - d) allow members of the public to inspect the report
 - e) allow members of the public to make a copy of the report or any part of it;
 - f) supply members of the public with the report or any part of it
 - g) consider this report at a meeting within one month of the report
 - h) at least eight clear days before the meeting to consider the report, publish on its website a notice stating the time and place of the meeting at which the report is to be considered, stating that the meeting will consider the report and describing the subject matter of the report;
 - i) supply a copy of the report with the agenda for the meeting considering the report;
 - j) as soon as reasonably practicable after the meeting, notify the auditor of the decisions made in response to the report; and
 - k) as soon as reasonably practicable after the meeting, publish on its website a notice, approved by the auditor summarising those decisions.
- 7.8 The Council intends to write further to EY to formally place on record its response to EY's current intention.
- 7.9 The Audit Committee has agreed (as mentioned earlier in this report) that further reassurance can be provided to EY by including monitoring of the management

action plan into the Transforming Together Audit in the Internal Audit Work Plan for 2023/24.

8. Corporate Implications

a. Financial and Legal Implications

- (i) The Section 151 Officer and the Monitoring Officer are under a duty to report to Council to respectively inform the Council that:
 - it appears to them that a decision or decisions have been made that would involve the authority incurring expenditure which is unlawful in fulfilment of their duty under section 114(2)(a) of the Local Government Finance Act 1988; and
 - it appears to them that a decision or decisions have been made that constituted or gave rise to a contravention by the authority of an enactment or rule of law, in fulfilment of their duty under section 5 of the Local Government & Housing Act 1989.

In respect of the contents of this report, and should the Council not agree to ratify the decisions made as set out in this report, this report accordingly stands as the Section 151 Officer's and the Monitoring Officer's report to Council.

- (ii) Further legal implications are contained in advice which are not for publication (exempt from access by public and press) for reasons of legal professional privilege.
- (iii) Financial implications will depend on which recommendation the Committee agrees and will be presented in further detail at the proposed meeting of full Council.

b. Human resources and equality implications

Human resources

This report concerns human resources policies and practices as operated at the time concerned. This is no longer the case.

Equality implications

An Equality Impact Assessment has been carried out and the impact of the proposal is neutral.

d. Timescale for implementation and risk factors

As set out in this report.

7. Background Papers:

Reports and advices- not for publication (exempt from access by public and press) for reasons of legal professional privilege and information relating to any individual.

Report Author: Angela Hutchings, Chief Executive

Internal Audit Services Report

Senior Manager Pay and Conditions

Reference Number: 21-121

Date Issued: July 2022

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Senior Manager Pay and Conditions

Objective

To assess the adequacy of arrangements to ensure senior management are effectively recruited, that pay and conditions are properly governed, applied consistently and administered appropriately.

Opinion: Minimal assurance

Opinion Summary: Business management processes are not operating effectively. Risks to delivering objectives are not understood or mitigated to acceptable level.

The audit has uncovered significant concerns with the approach taken to Senior Management pay and remuneration including:

- ***A lack of an open, fair and transparent approach to recruitment to ensure the best suited individuals are recruited into senior roles, and the setting of salaries of these individuals***
- ***The payment of market supplements and retentions without clear rationale or supporting evidence to substantiate the payments initially or on an ongoing basis***
- ***Performance payments made to individuals without clear setting of objectives, or evidence of assessment to demonstrate performance has been satisfactory and thus payments are due***
- ***Unequal and preferential treatment of senior managers via their pay and conditions compared to other staff within the organisation, including for the granting of flexible retirement and associated schemes***
- ***Inappropriate authorisation of payments made by officers and deliberate attempts to conceal the actions being taken in some cases***
- ***Senior managers using their position within the organisation to change and develop policies that they will benefit from without following appropriate processes.***

Scope

The key risks audited are set out in the Action Plan attached at Appendix A, with details of any action required to mitigate them further.

Recommendations are only made where they are necessary to mitigate further the risks audited. Therefore, they should be implemented by the date agreed unless there is a good operational reason why this is not practical.

Senior Manager Pay and Conditions

Background

Concerns were raised to the Internal Audit team during the course of the planned Workforce Development audit by the then Interim Chief Executive and HR Manager.

Given the nature of the concerns, and the issues identified by the Workforce Development work it was deemed necessary to undertake this audit as soon as reasonably practicable, so it was added into the 2021/22 audit plan.

Key Themes

Senior Manager Structure

The Council's 'Managing Organisational Change Policy and Recommended Guidance' states that in all circumstances a business case must be prepared when organisational change is proposed, including in cases of recruitment. The template provided ensures the proposed changes, rationale, costs and benefits are considered and documented. The policy requires changes to first and second tier officers to be consulted on with the Leader of the Council and the Lead Member for Resources and for approval to be required from the Strategic Director (Resources).

A senior manager restructure took place in early 2020, focusing on the structure of the Executive Management Team (EMT).

There is no business case available to support this re-structure and so it is not possible to confirm why it was deemed to be necessary, or the benefits that were expected to arise. However, the Head of Housing and Communities in place at the time was retiring, which would be a reasonable trigger for reviewing the structure of EMT. The Strategic Director (Resources) has advised that the Chief Executive's intention was to create capacity within EMT as its membership was reducing, as well as there being "*other aspects of succession planning that did not come to pass*".

There is no evidence to show the review of EMT or the proposed changes to its structure had been discussed and / or agreed with either the Leader of the Council or the Lead Member for Resources.

Some copies of the proposed structures that were reportedly discussed between the Strategic Director (Resources) and Chief Executive have been provided. These contain a number of different options that were being explored along with associated costings. However, there is:

- no detail to support the reason for the organisational change being needed, or how the option being proposed will meet the desired need
- no exploration of risks or benefits of the options being explored.

In addition, the options already identify existing staff members against each of the roles being proposed as part of the changes, resulting in 'promotion' for each of them by way of increased responsibility in their new roles, and enhanced salary packages. This could be interpreted as the structure being developed to fit the individuals being considered rather than being developed based on the needs of the Council.

Senior Manager Pay and Conditions

The outcome of the review / restructure was:

- the removal of the retiring Head of Housing and Communities post
- the retention of the Head of Environment post
- the introduction of posts for the:
 - Head of Housing
 - Head of Customer and Digital
 - Head of Place and Policy.

Senior Manager Recruitment

The Council's Constitution outlines that:

- appointment of Statutory Officers will be via an appointment panel
- appointment of Officers other than Statutory Officers will be the responsibility of the Head of Paid Service.

Good practice stipulates that when a post is being recruited to:

- there should be an accurate job description and person specification in place to ensure the key duties and responsibilities are clear, along with essential and desirable competencies
- shortlisting should be fair and based solely on the required attributes of the person specification and should not be undertaken by individuals alone
- an interview panel should be used to reduce the effect of individual prejudices and a scoring matrix used to score applicants objectively.

These requirements are also outlined within the Council's 'Managers Recruitment Guide and Procedures' dated 2015. In addition, the Council guidance requires all vacancies to be advertised internally which should support the transparency of the process and ensure those who wish to apply have the opportunity to do so.

Advertising vacancies internally and externally will help to ensure the best possible candidate is selected for the role.

EMT Restructure 2020

None of the EMT positions are statutory roles, so the appointment of officers to these posts was the responsibility of the Head of Paid Service and did not require appointment via the Appointments Panel.

Following the decision to restructure EMT, a formal recruitment process was not followed, and the new Head of Service roles identified above were filled by existing managers within the Council. This goes against the Council's policy, outlined above, which requires all posts to be advertised internally (except for cases where slotting is applicable).

None of the roles were advertised internally or externally, no candidate shortlisting was completed and no interviews were undertaken. Emails seen for one of the posts from the Strategic Director (Resources) suggest the individual was approached directly for the role; *"I have spoken to [the individual] and outlined to [redacted] the plan for [redacted] – in confidence"* and states that [redacted] was *"very pleased and surprised in equal measure"*.

On this basis, it is not possible to confirm that a fair process was undertaken, or that the best individuals were offered the roles.

Senior Manager Pay and Conditions

The Council's 'Managing Organisations Change' Policy states that, in the event of organisational changes, staff may be slotted where:

- the post in the new structure is fundamentally the same as their existing post (normally where the role is >75% the same)
- there is just one employee for the job
- they have been 'acting up' for a period of >6 months, but consideration must be given to their substantive post as unless this has disappeared, they are unlikely to be slotted.

Due to the scope of the role, it is possible that the Head of Place and Policy post could have been subject to slotting. However, there is no evidence available to show that slotting had been considered and / or that the requirements for slotting had been met.

Strategic Director (Resources) 2018

The Head of Resources took the Strategic Director (Resources) role from 1st April 2018, which replaced the Strategic Director (Transformation and Resources). The Head of Resources role was subsequently deleted. Requests for documentation prepared at the time to outline the rationale for the restructure have indicated that no such documentation exists.

Similarly to the EMT recruitment above, there is no evidence that a formal recruitment process was followed or that the post was eligible for slotting and thus it is not possible to demonstrate that the best individual was appointed to the role.

An email sent to the Financial Services Manager and HR Manager from the then Chief Executive on 5th April 2018 states he had consulted with and informed the Leader and Deputy Leader of his intention to recruit the individual into the position, and that they had supported this. There is no further evidence available to support that this conversation took place.

The Council's Constitution requires appointments to take place via the Staff Appointments Panel when:

- recruiting into Statutory Officer roles
- when an individual's salary exceeds £100,000.

The Head of Resources already held the Chief Finance Officer role and associated s151 authority, and this moved with her into the new Strategic Director (Resources) role. Although this is not a new appointment, it may have been good practice to have informed the Staff Appointments panel of the change.

The starting salary for the role in year one was £[REDACTED] for 2018/19. This is below the £[REDACTED] threshold and so would not require Staff Appointment Panel agreement. However, the new contract of employment stipulated that in year two (2019/20) this increased to £[REDACTED] and in year three (2020/21) this rose to £[REDACTED]. These increases were not subject to performance and were agreed from the beginning as part of the new contract.

Senior Manager Pay and Conditions

All of these figures were shared by the Chief Executive with the Financial Services Manager and the HR Manager in April 2018. The email chain shows that the Financial Services Manager highlighted that the year one figure was based on an assumption of a 2% pay award, and until that was announced the package for year one would be £[REDACTED]. The Chief Executive responded *“Yes, that was my understanding as well – the important point being the year end and earnings reported in the Statement of Accounts would not exceed £100k”*.

This statement suggests that the salary was deliberately kept below the £100,000 threshold at the point of recruitment to avoid the Staff Appointments Panel needing to agree the appointment, but with increases in place of 6.7% for year 2 and 8.1% for year 3. This is inappropriate and demonstrates a lack of transparency of officer decision making which in turn restricts members ability to have suitable oversight.

There is currently no requirement for any notification to be made at member level when salaries increase from below, to above the £100,000 threshold.

Salaries should be reported through the Pay Policy Statement annually, as required by the Localism Act 2011 and the LGA: Association of Local Authority Chief Executives advise the statement should include the Council’s policy on:

- the level and elements of remuneration for each chief officer
- other specific aspects of chief officers remuneration: remuneration and recruitment, increases and additions to remuneration, use of performance related pay and bonuses and termination payments.

In addition, the Accounts and Audit Regulations 2011 require the Council to publish number of employees in the year to which the accounts relate paid over £50,000. This element of the required disclosure is currently published as the number of individuals in bands of £5,000, as required by the Regulations.

Legal advice to Northumberland County Council, from Nigel Giffin QC in light of concerns raised around allowance payments made to their Chief Executive highlighted that; *“Under s 38(4)(a) and (c) of the Localism Act, a pay policy statement must include, amongst other matters, the authority’s policies relating to “the level and elements of remuneration for each chief officer”, and “increases and additions to remuneration for each chief officer”. Although the Act does not require actual numerical amounts to be determined as part of the policy (as the statutory guidance confirms), it is plain that the statement should identify what elements a chief officer’s remuneration will contain, and how those elements will be fixed”*.

These mechanisms should offer an element of transparency of senior management pay and benefits. However, while the level of Chief Officer remuneration is included within the Statement of Accounts, there is no breakdown of what makes up this sum, as is required by Schedule 1 of the Accounts and Audit Regulations 2015.

In addition, while the Pay Policy statement identifies different elements of remuneration (eg. retentions, market supplements, performance pay) that may be used:

- the Council does not have supporting policies in place to outline when these can be used or how they will be administered
- the statement does not outline who within the Council, including Chief Officers, are in receipt of those enhancements. While this is not specifically required by legislation, it is deemed to be good practice to allow for increased transparency.

Senior Manager Pay and Conditions

Market Supplements

Guidance from the Local Government Association (LGA) on the use of Market Supplements describes their use for when an organisation finds it difficult to recruit to specific posts, and / or struggles to retain employees within these posts. It states that organisations should have a formal policy on the use of market supplements which should include:

- a standard application form to ensure qualifying criteria is met and supporting evidence is provided
- standard methodology for setting the level of market supplement to be paid eg. requirement to assess the extent of the difference between comparators and the equivalent grade within the organisation
- considerations to be made when approving the market supplement and the approval process eg. roles and responsibilities of decision makers, objectivity of those individuals and the supporting evidence to be provided to aid decision making.

In addition, the LGA guidance states market supplements should be:

- paid separately to basic pay, and there should be clarity on whether they are treated as gross pay and thus are subject to sickness, maternity or redundancy payments
- time limited (ie. effective for two years) and reviewed every 12 months to ensure market forces remain and still make the payment necessary.

The Council does not have a policy on market supplements. As such, there is no guidance available on these key areas identified by the LGA which may mean market supplements are not being administered consistently, fairly or appropriately.

Within the annual Pay Policy Statement reported to Cabinet and Council, the Council states it may pay market supplements as part of a salary package offered to individuals in order to '*attract and retain the right calibre staff to key posts*'. There is no reporting on who receives market supplement payments, or the value of market supplements paid each year.

The total value of Market Supplement payments over the last three years are:

Year	Total
2019/20	£15,591
2020/21	£17,509
2021/22	£19,940

Senior Manager Pay and Conditions

The Council currently pays market supplement to a number of staff. Payments are made monthly as part of the overall salary payment. Those staff falling within the remit of this audit that are in receipt of a market supplement are the:

- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED] since their appointment in [REDACTED]
[REDACTED]
- [REDACTED] and [REDACTED] who received 5% of SCP [REDACTED] in [REDACTED], rising to 7.5% in [REDACTED] and 10% in [REDACTED].
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED] from [REDACTED] onwards.

For each of these Heads of Service, there is nothing available to demonstrate or support the rationale for the market supplement payments to be made, for example evidence that:

- the roles were difficult to fill and as such, market supplement was required. As outlined above, there was no recruitment process undertaken for any of the roles
- that the basic salary being offered for the role was below the market rate, and enhancement was needed to attract or retain individuals to the roles.

At the time of the EMT restructure in 2020 and the [REDACTED] moving into post, challenge was made by the [REDACTED] to the [REDACTED] around the market supplements via email:

- *"with the new funding gap, does there need to be any review of retention or market supplements for this financial year for the new EMT appointments?"*
- *"can we justify a market supplement and retention" (for retention, see below)*
- [REDACTED] *isn't a hard to fill post"*

The email response from the [REDACTED]

- *"The Chief Executive and I thought about this and agreed to proceed as originally planned"*
- *"All Heads of Service receive the same elements to their pay. EMT members are equal in pay regardless of whether a post is hard to fill"*

While this email trail suggests there has been some informal consideration given to new and continual payment of market supplements in 2020, there is no real evidence of this and nothing to demonstrate that there has been:

- any review of the value of market supplements in payment to ensure they remain necessary, or the level of payment remains suitable
- the decision to begin or continue paying a market supplement has been based on suitable supporting evidence, and appropriately authorised by an objective and independent individual.

Senior Manager Pay and Conditions

The [REDACTED] advised that as EMT pay exceeded the pay scale, the Chief Executive and [REDACTED] originally decided to *“salami slice up the EMT officer pay rather than pay a single element of base pay”*. The LGA guidance outlines that market supplements should not be used for when problems cannot be addressed through the use of the Job Evaluation and grading process.

The [REDACTED] also advised that it is [REDACTED] view that this was done to *“give the organisation maximum flexibility to be able to renegotiate an individual’s pay should a need arise. The organisation could withdraw the Market Supplement or retention element at any time they choose”*. While this may have been the intention (although there is no evidence to support it and there have been no instances of market supplement being removed), the [REDACTED] contracts contain no terms and conditions around market supplements being subject to review or removal, or on what grounds this may occur and as mentioned above, there is no organisational policy addressing this either.

Retention Payments

There is no specific LGA guidance on the use of retention payments, as there is for market supplements. However, general information available on employment practice indicates:

- Retention payments can be a tool to entice key employees to remain within an organisation for a set period of time
- Contracts should specify how long the employee is to remain with the organisation in return for the amount of the payment. This would rarely be for an indefinite amount of time
- The value of the retention payment should depend on factors including the reason for the payment, competitors’ salaries and funding available.

As with market supplements, the Council does not have a policy on retention payments and as such, there is no guidance available on how these should be applied within the organisation. This may mean retention payments are not being administered consistently, fairly or appropriately. Information within contract documents of those in receipt of the payments (with the exception of the Chief Executive) is that retention allowance is to secure the commitment of the individual to remain in the Council’s employment and *‘retain the services of key staff as identified by the Head of Paid Service to ensure continued improvement and the effective delivery of services’*.

Within the annual Pay Policy Statement reported to Cabinet and Council, the Council states it may make retention payment as part of a salary package offered to individuals in order to *‘attract and retain the right calibre staff to key posts’*. This is the same reason provided as why a market supplement may be paid (see above) and so there is no clarity on when which would be the more appropriate to use.

There is no clarity on how the need for retention payments are assessed, agreed or reviewed.

Senior Manager Pay and Conditions

Information seen in the name of a previous [REDACTED] suggests the retention payment scheme was first introduced around 2006. In a letter [REDACTED] states that EMT is considering implementing a scheme but that when [REDACTED] has put forward an outline scheme, [REDACTED] was told that “no such formal arrangements are required and it will be for Directors to identify the key personnel they wish to retain” and that those identified “will be asked not to discuss the arrangement with colleagues”. The letter from the previous [REDACTED] continues “I have expressed a view that this will be discriminatory and the organisation will be at risk and vulnerable to tribunal claims and such a scheme would more than likely be illegal and contrary to equal pay legislation. My advice appears to have been ignored and the retention payment is due to be offered to at least two members of staff in the near future”.

The opinion expressed in the letter is supported by Internal Audit.

The total value of retention payments made to staff within the scope of this audit over the last three years are:

Year	Total
2019/20	£52,161
2020/21	£56,456
2021/22	£48,955

The Council makes retention payments to a number of staff. Payments are made monthly as part of the salary payment. Those falling within the remit of this audit are the:

- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED], increasing to 10% of SCP [REDACTED] from [REDACTED]
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED]. The [REDACTED] was also in receipt of retention in line with this up until his full retirement in [REDACTED].
- [REDACTED] and [REDACTED] who received 5% of SCP [REDACTED] in [REDACTED], rising to 7.5% in [REDACTED] and 10% in [REDACTED]
- [REDACTED] who is in receipt of payment equal to 10% of SCP [REDACTED]
- [REDACTED] and [REDACTED] who receive 10% of the basic salary ([REDACTED] in [REDACTED])
- Chief Executive who was in receipt of 10% of his basic salary (£11,035 in 2020/21).

For each individual, there is no evidence available to:

- Support the need for the payment, to provide clarity on why the organisation would wish to retain the individual for a defined period of time, such as due to the specific skills, experience or knowledge that they hold and the need to make a retention payment to achieve this
- Demonstrate how the value of the retention payment has been decided
- Show that the retentions in payment have been reviewed and re-considered on a regular basis, to ensure they remain necessary ahead of continuing to be paid.

Senior Manager Pay and Conditions

There is one exception to this point. Documentation from Chief Officer Reviews in April 2008 covering the 2007/08 financial year show that retention contracts were considered for [REDACTED] in post at the time. In respect of the [REDACTED] a performance score of five out of five is given, and it states *'Extend existing contract to give effect of 3 years wef [REDACTED]* There is no indication as to why the retention payment remains necessary. The document is signed by the Leader in place at the time.

The [REDACTED] challenged the continuation of a retention payment to the [REDACTED] following a regrading of the post in 2021.

- The application was submitted on the 14th June 2021, supported by the [REDACTED] who stated in the email submission *"I would be obliged if you would make the adjustments to the post and salary as required and I am happy to provide approval to bring parity with other posts on CMT [Corporate Management Team]"*.
- An email from the [REDACTED] to the [REDACTED] on 21st June states *"Further to my earlier email concerning the [REDACTED] regrading, please see attached detail of the current actual CMT salaries to inform your decision. The two [REDACTED] comparators referred to in the regrading application at their maximum pay will receive less than [REDACTED] current salary because of the retention payment"*
- In [REDACTED] response, the [REDACTED] writes *"Please action the regrading application as submitted by [REDACTED] in line with the approval" and "I am anxious to avoid it becoming a staff grievance as there is a discrepancy with other posts on CMT. As regards the retention payment it will be for the new chief executive to review the organisation and pay scales and I do not intend to make any decision and will leave it to the next incumbent to look into the matter"*

This is a clear example of where the lack of clear policy and due process around the application of retention payments has led to pay inequality within the Council.

Those in receipt of retention payments have varying contractual arrangements in place around their payments which seems to be dependent on when they joined the organisation and / or when the payment started.

The majority have an appendix within the contract covering retention payments that states:

- Retention will be paid for periods of three years (commitment period) on a continuous rolling basis
- Renewal of the retention allowance after the expiry of the commitment period will be automatic and this condition shall form part of the contract of employment
- Retention will be 10% of the employee's basic salary and is paid in addition to the employee's basic salary / scale point
- Employee may request that the commitment period be rescinded upon giving the Council 12 months notice.

There is nothing within these contracts allowing the Council to cease paying the retention allowance, due to the rolling nature of the condition within the contracts.

Senior Manager Pay and Conditions

There are a few exceptions:

- The [REDACTED] appendix states renewal is automatic until such a time it is terminated in writing by the Council or Employee, with 12 months notice
- The [REDACTED] appendix is as above in the [REDACTED] contract, but a 'Variation to Contract of Employment' letter in [REDACTED] states that retention payment is payable '*until such time that it is terminated in writing by the Council or yourself*'.
- There was nothing within the former Chief Executive's original contract allowing for retention payments.

In September 2008 a review of Senior Manager pay and performance was undertaken by an Independent Consultant. This largely focused on the remuneration of the Chief Executive and one recommendation was for a three year commitment contract to be offered, with a salary adjustment of £12,000 to reflect the commitment. It is not clear who agreed this recommendation and authorised the adjustment to salary to be made.

A contract variation in April 2010, effective from September 2008, changed the retention payment from a fixed period to automatic renewal unless terminated in writing by the employee or employee. This is signed by the Leader of the Council in place at the time.

Performance Payments

The use of performance pay can help to encourage high levels of performance in the workplace. The Hutton Fair Pay review in 2011 stated that there are compelling reasons why performance pay should be used, but that there needs to be both rewards and penalties within schemes. The Hutton review suggested schemes should be configured in a way that means managers have to meet objectives in order to earn back an element of their basic pay which has been placed at risk.

In order to ensure a fair and transparent performance payment scheme, some key principles that should be considered when administering them include:

- Pre-agreed performance objectives should be in place
- Objectives should be protected from political interference as much as possible
- Performance should not be measured using specific targets if possible, instead organisations should look towards using benchmarking, milestones and direction of travel to demonstrate performance
- Measures should be objective, but supporting them with 360 degree and stakeholder reviews, if possible, can be beneficial
- A robust performance appraisal process should be in place, allowing the achievement of objectives and progress made during the year to be formally captured
- Distribution of awards should be controlled and coordinated by independent committees to ensure fairness and transparency.

Para 4.4 of the Financial Procedure Rules within the Council's Constitution states that '*The Chief Executive is the officer designated by the Council as the Head of Paid Service and is responsible for providing overall management to staff and for ensuring that there is a proper use of evaluation or other agreed methods for determining remuneration*'.

Senior Manager Pay and Conditions

Article 10.2 (a) within the Council's Constitution also states '*The Head of Paid Service will advise the Leader and Cabinet on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of staff required for the discharge of functions and the organisation of staff and is solely responsible for the management structure and engagement and deployment of council staff*'.

As with market supplement and retention payments, the Council does not have a policy on the use of performance payments and as such, there is no guidance available on how these should be administered. This means that payments may not be made fairly, consistently or appropriately.

The Council's Pay Policy statement references the use of performance pay and since 2015/16 has remained unchanged and states '*there is a delicate balance to be struck between defending the attractiveness of public service careers while ensuring taxpayers can be confident that public money is being wisely used. Performance-related pay allows pay to vary down as well as up with performance, and ensure that failure is not rewarded*'.

There is no detail within the current Pay Policy statement to indicate that the Council makes performance payments, who to or the value of these payments.

Prior to this, the 2014/15 Pay Policy statement read; '*The Council has adopted an 'earn back' policy in which the Chief Executive and other appropriate Chief Officers participate. The scheme requires the Chief Executive and other appropriate Chief Officers to have their performance monitored and independently verified in order to earn back an element of basic pay placed at risk, and only if performance is satisfactory can additional awards be made. This allows pay to vary down as well as up with performance, and ensures that failure is not rewarded*'.

The concept of the performance payments being "earn back" with an element of basic pay being put at risk continues into the documentation where performance pay is calculated and authorised each year. It states '*In accordance with the Council's pay policy statement the Council operates a system of "earn back" for the senior officers shown above. These officers have their performance monitored on an annual basis to "earn back" an element of basic pay that has been placed at risk. Basic pay placed "at risk" is paid automatically following the financial year end unless the Officer(s) has/have been officially informed prior to the 31st March that their performance has not been "satisfactory" and all or part of their basic pay placed "at risk" will not be paid*'.

On this basis, an individual who received a 5% performance payment on a basic salary of £50,000 should receive 95% (£47,500) of this total annual payment across the year, with the final 5% (£2,500) then being paid in the April following confirmation of satisfactory performance.

This is not how the scheme has operated in practice though. Performance payments have been calculated in addition to the stated basic salary, based on a set percentage of the individual's basic salary (in full) + market supplement + retention.

Senior Manager Pay and Conditions

Performance payments are made in addition via a lump sum at the end of each year. They are made to the following individuals:

- [REDACTED], [REDACTED], [REDACTED] and [REDACTED] at 5% as specified in individual employment contracts
- [REDACTED] at 5% as specified in employment contracts
- Chief Executive at 10%, as specified in a contract variation dated April 2010. This was recommended by the Council's Independent Consultant in September 2008 to be made up of 5% general performance and 5% on performance against specific targets, although this is not specified in the contract variation.

Evidence available suggests that historically performance payments were paid following a review process, overseen by a Review Panel made up of the Leader, Deputy Leader and Independent Verifier. The 2012/13 documentation obtained outlines the requirement for Officers to submit a paper to the panel detailing:

- The actions taken to achieve the objectives for the year
- Issues likely to impact their service in the next two years and the key pressures facing their service in the next 12 months
- How the future strategic direction of the Council was likely to impact the working of the authority.

The [REDACTED] has advised that Officers were also required to give a presentation to the panel and be challenged on achievements or for items that Members felt could have been handled differently.

The 'Review Outcome' for the year clearly stated whether each officer's performance has been found to be satisfactory or not.

The document also outlines a change in review process from 2013/14 *'Basic pay will be paid automatically following the financial year unless the Officer(s) has been officially informed prior to the 31st March that their performance has not been "satisfactory" and therefore all or part of their basic pay placed "at risk" will not be paid'*.

An 'Approval' point at the end of the document is signed by the Leader of the Council at the time.

[REDACTED]

It has been suggested that the Panel was re-convened in 2019/20, however no evidence of this has been provided despite requests.

The Strategic Director (Resources) advised that in lieu of the panel, performance was assessed continuously by the Chief Executive who fed back verbally to those subject to the performance payment scheme, with targets being set as part of the corporate and service planning process. No evidence to support these later arrangements have been seen.

Senior Manager Pay and Conditions

Performance Payments 2019/20

Evidence has been seen to show the Chief Executive authorised performance payments totalling £28,645 in March 2020 for the 2019/20 financial year. This included his own payment of £11,814.

At the time, the [REDACTED] reported into the Chief Executive directly and so it is reasonable to assume that he would have a sound view on whether performance was satisfactory, but [REDACTED] in place at the time reported into the [REDACTED]. Nothing has been seen to demonstrate adequate performance, performance against set objectives, or to show a performance review took place for any of the individuals receiving payment.

The Chief Executive authorising his own performance payment is inappropriate. It does not allow for independent or objective oversight of performance or the payment being made. There is no reporting on performance payments made or evidence to suggest the payment was agreed with Members. This lack of transparency with Members means there was no opportunity for the payment to be reviewed or challenged.

Performance Payments 2020/21

The Strategic Director (Resources) stepped in to authorise the performance payments for 2020/21 in April 2021 following the death of the Chief Executive in March 2021.

These payments totalled £36,453 and were made to the [REDACTED] and the estate of the Chief Executive, whom she would have reported to before he passed away. The Strategic Director (Resources) had no line management responsibility for any of these individuals and, as with the 2019/20 performance payment, nothing has been seen in the course of the audit to demonstrate adequate performance, performance against set objectives, or to show a performance review took place for any of the individuals receiving payment. Therefore it is not clear what the basis for the performance payments were.

The Strategic Director (Resources) also authorised her own performance payment of £5,812, which is consistent with the above rates. However, as with the Chief Executive authorising his own payment in 2019/20, this is inappropriate and does not allow for independent or objective oversight of the payment being made.

The Strategic Director (Resources) advised that the calculations were performed by the Financial Services Manager, which she checked for accuracy. *"No performance deficiency had been raised with me and I was not aware of any against others (the Chief Executive would have told me) and so I was happy to authorise. I would not have performed the calculation myself and authorised it".*

When asked whether the performance payment had been discussed and agreed with members at all, she advised *"I would not have normally authorised my own performance payment. This was an unusual year. I did not consult the Deputy Leader (who had stepped into Leader role). Perhaps I should have done in hindsight but I had been asked to act as Head of Paid Service and so followed the process that had adopted the year before – as demonstrated to me in the prior year example provided to me".*

[REDACTED]

Senior Manager Pay and Conditions

[REDACTED]

[REDACTED]

While the Financial Services Manager has put together the calculations for payments due, the decision to make the payment lies with and has been made by the Strategic Director (Resources).

Performance Payments 2021/22

Performance payments were made for 2021/22 in April 2022, totalling £26,984. These were made to the [REDACTED] and [REDACTED].

The Interim Chief Executive was asked by the Financial Services Manager to authorise the payments on 21st March 2022. He raised concerns with the calculation of payments on the basis that they did not reflect the 'earn back' scheme as described on the request and that the performance payment percentage had been added to basic pay, meaning no pay was actually at risk.

[REDACTED]

[REDACTED]

[REDACTED]

Senior Manager Pay and Conditions

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The Interim Chief Executive responded, outlining his concerns. *“I’m sure you’ll agree that no Chief Executive could sign off additional bonus payments without any measure of previously set objectives in a proper process. I am sure Members and other staff would expect rigour and process before awarding additional performance pay however richly deserved. Performance payments are in contracts but are not pensionable pay and not enshrined in basic pay. They can’t be if they depend on performance during the year ahead.”*

The Interim Chief Executive authorised the payments on 30th March 2022.

On the 31st March 2022 the Interim Chief Executive asked the Financial Services Manager for a hold on the payment due to him leaving that day, asking that the decision be held over to be reviewed and made final by the successor Head of Paid Service. The Financial Services Manager advised that officers needed to be informed no later than 31st March if their performance had not been satisfactory and therefore their performance payment would not be paid, all or in part. The Interim Chief Executive responded to say no staff had been notified of unsatisfactory performance, but that he had *“not assessed any of these staff against a set of objectives produced by which performance can be measured and indeed have not had cause to inform them of any exceptional performance over and above their standard work roles or normal expectations”*. He finishes *“I assume that you will progress to pay as per the emails to me but I remain concerned about the process and will let the Internal Audit review make its recommendations.”*

Senior Manager Pay and Conditions

[REDACTED]

The Financial Services Manager confirmed that he made the payment on the basis that the Interim Chief Executive *“confirmed the conditions for payment were satisfied (i.e. no performance issues raised) and said that he assumed that I would then make the payments, and also giving due consideration to the Head of Internal Audits advice, I was comfortable I had sufficient authorisation to inform payroll to make the payments”*.

It is important to note that none of the individuals involved in the decision to pay the 2021/22 performance payment receive performance payments themselves. [REDACTED]

[REDACTED]

Flexible Retirement

The Council's Retirement Policy includes information on phased and flexible retirement options. The scheme for flexible retirement allows for staff aged 55 and over to apply to reduce their hours worked or grade at which they are employed.

It is clear that the scheme is discretionary and that the application must be approved by the Line Manager and Head of Service before seeking consent from the Strategic Director (Resources) in consultation with the Chief Executive. Flexible retirement of the Chief Executive requires the Leader of the Council and lead Member for Resources' consent. Requiring a number of individuals to have sight of and agree to any flexible retirement proposal helps to ensure robust check and challenge has taken place, and that the decision will not impact the Council adversely.

The policy requires flexible retirement to benefit the service and a full business case must be submitted before consent can be obtained. This business case will include any financial strain to the Essex Pension Fund with the service being responsible for payment of any cost implications. Both the employer and employee's pension contribution ceases upon commencement of the flexible retirement and the employee will then receive their pension payments as well as their reduced ongoing salary (proportionate to their reduced hours).

There are some weaknesses noted on the business case template and associated guidance which require strengthening:

- Clarity is needed on what is deemed an 'acceptable' financial implication
- Guidance should be included on how much the Council may 'spend to save' or what the level or period of benefit realisation and pay-back of any up-front costs should be
- Detail of the supporting evidence to be provided to demonstrate the accuracy or completeness of any financial calculations is needed, as well as guidance on how estimates / assumptions should be tested to ensure they are sound

Senior Manager Pay and Conditions

- Expansion of the existing current / future impact section to include:
 - a more detailed breakdown, including the short, medium and long term implications and their impact
 - consideration of strategic risks, as well as operational, especially for those in more senior roles within the organisation
 - space to quantify the likelihood of the impact occurring and how this will be managed if it does occur in order to minimise it / avoid undermining the business case and decisions taken.
- Introduction of a specific section to capture the potential risks along with any mitigating actions that have been considered.

When administered appropriately, the flexible retirement scheme provides opportunities and benefits, including savings through the reduced salary paid to individuals and ceasing of pension contributions, while retaining experienced staff who may otherwise look to retire fully. However, there are also risks and costs that the organisation should consider, such as the cost of any pension strain, and the reduced capacity of the staff resource.

EMT & Heads of Service – 2015 & 2016

Application and Business Case

In November 2015 an application and business case for flexible retirement was developed. It includes the flexible retirement of the following individuals:

Individual	Pension Strain
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

Only one application and business case has been developed, covering all six individuals. This has enabled those with lower pension strains to off-set the financial impact of others with higher pension strain in this group scheme. It is possible that flexible retirements for those with a higher strain would not have been agreed had they made individual applications for flexible retirement. Including them within the group scheme also means the Council has potentially not maximised its potential for savings and / or value for money.

Senior Manager Pay and Conditions

All individual's flexible retirements became effective from August 2016, with the exception of the [REDACTED] whose became effective in [REDACTED].

The 'LGPS Flexible Retirement Application Form' completed:

- Includes signed declarations from all six officers confirming they would reduce their working hours by 25% to 27.75 hours per week
- Under financial implications, simply states *'the cost of the flexible retirements can be funded by a transfer of existing budget from the improvement fund to the relevant cost centres during 2015/16. The savings from the reduction in hours will be shown against relevant cost centres in each year thereafter'*.

The 'Implications and Solutions Supporting a Request for Flexible Retirement' document is vague and lacks detail. This should be where the impact of the proposals are captured, but the information recorded simply states that individuals will work flexibly to ensure the Council does not suffer as a result of the reduction in working hours, and that time will be managed effectively to ensure services continue to be delivered.

Finally, the 'Business Case for Flexible Retirement':

- Outlines the operational reason for the proposal as being *'the first stage of tackling the significant budget gap forecast in 2017/18'* to *'help reduce the ongoing costs of EMT whilst retaining key personnel & a full range of skills to deliver critical tasks over the next 17 months'*
- Includes the costs and benefits, including:
 - The total one-off cost of £540,000 (the strain on the pension fund) to be funded from the Improvement Fund and HRA budgets.
 - The reduction in ongoing costs with no detrimental impact to the service; *'the resultant savings would be £12k in 2015/16, £153k in 2016/17 and £210k p.a. thereafter'*.

While the business case references savings from 2015/16, these are not overall savings to the Council at the point they are being claimed due to the need for these savings to off-set the cost the Council incurred by paying the pension strain of individuals included within the business case. An actual overall cash saving would not be achieved under the business case until 2018/19:

Year	Cost	Saving	Overall Net Position
2015/16	£540,000	£12,000	£528,000 cost
2016/17	£0	£153,000	£375,000 cost
2017/18	£0	£210,000	£165,000 cost
2018/19	£0	£210,000	£45,000 saving

Senior Manager Pay and Conditions

- that the strain on the pension fund would be unavoidable should any of the individuals be made redundant, so taking the action now not only *'reduces the ongoing employment costs'* but will *'also result in up to £167k in additional savings for the Council at a later stage if restructure of the management team were to take place due to the lower salary base that will be used to calculate redundancy costs'*
- The retention of key personnel and skills.
- Includes a statement that 'the s151 Officer has been consulted and is in support of the proposal'. At the time of the flexible retirement, the s151 officer was the then Head of Resources, now Strategic Director (Resources).

There is no signature within the documentation from the s151 Officer to support this statement.

There is a further statement that the Council's Independent Advisor had been consulted and was in support of the proposal. There is no evidence available to support this statement.

There is nothing within any of the documents relating to the flexible retirement (including the confidentiality agreement, see below) that requires the individuals to:

- Remain with the Council for a set period of time to ensure the pension strain paid on their behalf is offset by the planned savings
- Repay any pension strain paid on their behalf but not realised in savings, should they decide to leave before these are achieved.

As a result, the Council held a large risk that the anticipated savings would not be realised. There is no recognition of this risk within any of the documentation seen.

Three individuals left the Council before achieving savings for the Council on their Flexible Retirement. The figures below have been provided by the Financial Services Manager and show the overall cost or saving of each officer under the scheme:

Individual	Total as at 31 st March 2022
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] [REDACTED]*

*

[REDACTED]

Senior Manager Pay and Conditions

Flexible Retirement Sign Off and Authorisation

Notes at the end of the application form and business case, underneath where the Chief Executive has signed states *'Note – The Chief Executive has asked all eligible members of the Council's EMT if they would be willing to consider a flexible retirement. The joint application will therefore be decided by the Chief Executive as it also includes the Strategic Director (Transformation and Resources) who normally deals with these applications on a day to day basis on behalf of the Chief Executive'*.

Both the application and the business case have been signed only by the Chief Executive. The process normally requires sign off by the Line Manager and Head of Service, ahead of the relevant Strategic Director's consent – this would have been the Strategic Director (Transformation and Resources) at the time.

The Head of Governance reported into the Strategic Director (Corporate Services) at the time, but there is no evidence to show he was consulted on the application or decision made.

The remaining individuals reported directly into the Chief Executive. For this reason, there would have been benefit in consultation being undertaken with the Leader of the Council and Lead Member for Resources, to ensure appropriate, independent oversight and agreement of the decision being made. Given the note that the Chief Executive had asked those involved to consider taking early retirement, this is considered even more important to ensure objectivity of the decision being made.

Due the level of up-front pension strain to be funded at £542,925 and the anticipated savings for future years that the business case claimed this would bring, it would have been reasonable to expect the information to be shared with Cabinet and Council as part of the budget setting arrangements for the coming years. Budget papers for 2016/17 include an *'Austerity and Commercial Strategy'* which highlights the need for cost reduction and services to be delivered differently. A table within the strategy outlining cost reductions during 2015/16 which are ongoing includes *"ongoing reduction in staffing related costs for all services, largely relating to a lower assumed pay increase for 2016/17 and later years than originally budgeted for"* but does not include the flexible retirement savings, despite the business case anticipating savings of £153,000 in 2016/17. It is not clear why this information was not included. It is possible that Officers were aware that the savings identified in the business case were misleading, or that they didn't want to draw attention to the arrangements that had been agreed internally, without Member oversight.

Confidentiality Agreement

Each individual was required to sign a confidentiality agreement covering the details of their flexible retirement. It is not clear:

- who drafted the agreement.
- why it was deemed to be needed.

Senior Manager Pay and Conditions

Having a confidentiality agreement in place raises concerns over the legitimacy and transparency of these flexible retirements. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Chief Executive - 2012

While the timing of the Chief Executive's flexible retirement falls outside the scope of the audit, information is included here as context for the Annual Leave Buy Back section later in this report, and to reference the different approach that was taken to this decision.

The business case for the Chief Executives flexible retirement suggests that it was taken in April 2012 in response to a request from the Leader to reduce management costs. The paper outlines that:

- advice was received from the Essex Pension Fund
- the Leader and Deputy leader were consulted with, receiving independent advice and guidance on the matter from the DCLG Lead Official at the time
- external audit were advised of the proposal and raised no objections.

The paper continues to outline the requirement of working hours to be reduced by 25%, but that the strategic management capacity of the Council provided by the Chief Executive would be maintained and the corporate objectives will continue to be delivered within the 75% operating hours. It states that *'it is a requirement of the Chief Executives position that additional hours are worked to ensure the effective delivery of Council services and this remains unchanged'*. The paper is signed by the following individuals:

- Strategic Director (Transformation & Resources)
- Leader of the Council
- Deputy Leader of the Council
- DCLG Lead Official, as Independent Witness.

The paper outlines that the flexible retirement would deliver savings of approximately £60,000 from 2013.

A report outlining these arrangements went to a Special Cabinet meeting on 20th June 2012 with recommendations that members note the report, actions taken and current management arrangements.

The approach taken and transparency in the decision-making arrangements for the flexible retirement of the Chief Executive in 2012 is notably different to the approach that was taken to the flexible retirement of other senior officers in 2016.

Senior Manager Pay and Conditions

Annual Leave Buy Back

There are a number of policies available on Castle Point's staff intranet site that outline how the annual leave scheme at the Council operates, specifically the Staff Handbook and the 'Guide to Annual Leave and Bank Holiday Entitlement'. Both outline the leave entitlement of officers and the general rules to be followed. The latter specifies that:

- Staff can carry over a maximum of five days subject to Head of Service or Strategic Director approval. It is clear within the policy that this is not an automatic right.
- Pay will not be made in lieu of outstanding leave.

The Council's Staff Handbook states '*overtime is payable to employees on salary point 22 and below. Officers paid on salary point 23 and over will normally receive time owed in lieu (TOIL)*'. On this basis, none of the Officers who have flexibly retired would be eligible for overtime payments for hours above their 27.75 a week.

With regards to TOIL, the handbook states:

- Employee's must agree in advance with their Line Manager work they intend to undertake outside of normal working hours
- No more than 20 hours TOIL may be accumulated in any 4 week period
- Employee's must take TOIL within one month of accrual
- TOIL should be an exception rather than a regular or routine occurrence
- Payment in lieu of TOIL will not be made.

Using the TOIL scheme as per the staff handbook would also not have enabled those on flexible retirement to be paid for the extra hours they had worked.

A further document was obtained during the audit titled 'Annual Leave Exchange Scheme for Senior Managers (Flexible Retirement)'. This was provided by the HR Manager and was seen as a variation within the employment contracts of those who had taken Flexible Retirement in 2016 (see above). The variation was issued in June 2018, but the letter to individuals from HR states it should have been varied at the same time as the flexible retirement took effect. This means that the costs of the Annual Leave Exchange Scheme should have been included in the cost benefit analysis as part of the business case for the flexible retirement scheme. As those costs were not included this had a significant impact of the financial case for the scheme, as illustrated in the 'Flexible Retirees - 2016' section below, and meant that the decision to proceed was based on significantly flawed information, likely to significantly influence the decision that was taken.

A similar scheme is included in the new contracts of the [REDACTED] and [REDACTED] when they were appointed to their roles in [REDACTED] titled 'Annual Leave Exchange Scheme for Senior Managers'.

[REDACTED]

Senior Manager Pay and Conditions

The schemes are not published on the Council's intranet site and there is nothing to suggest the change in policy for senior managers was agreed by Councillors. The lack of transparency around the scheme [REDACTED] and the lack of formal agreement or oversight raises questions over its legitimacy.

These two schemes state:

- Senior Managers who are members of the EMT and / or CMT who are working on a flexible retirement contract of employment may either 'sell' annual leave entitlement (subject to the legal minimum of 20 (pro rata) holiday days requirement that must be taken as leave) OR 'buy' extra annual leave entitlement
- That in order to ensure services do not suffer as a result of the flexible retirement, *'annual leave entitlement and reduction in contracted hours has been consolidated and converted into hours so that it can be taken in a more flexible manner throughout the year'*
(Note: This point is only included in the flexible retirement version of the scheme.)
- Senior Managers are required to track actual leave taken and in February each year submit this data to the Financial Services Manager. They should advise how much of the surplus they wish to carry forward and how much they wish to sell
- The Financial Services Manager will then calculate the cost of the leave to be sold and submit this to the Chief Executive for approval.

There is nothing within the schemes that increases the amount of unused annual leave that is able to be carried over. Therefore, a maximum of five days will be eligible for carry over, in line with the policy position outlined in the 'Guide to Annual Leave and Bank Holiday Entitlement'.

The second bullet point detailed above, *'annual leave entitlement and reduction in contracted hours has been consolidated and converted into hours so that it can be taken in a more flexible manner throughout the year'* has given individuals on flexible retirement an inflated annual leave balance which is made up of:

- normal leave entitlement, reduced to reflect the contractual 0.75 FTE that those on flexible retirement are contracted for
- bank holidays, reduced to reflect the contractual 0.75 FTE
- the reduction in contracted hours (equating to 0.25 FTE)

Senior Manager Pay and Conditions

The impact of this can be seen in the table below for 2021/22. The same approach has been taken each year, but the 'Plus Bank / Other Holiday Entitlement' line may vary slightly. For example, in 2021/22 an additional day of Annual Leave was given to staff as a thank you for their work during Covid-19.

	Chief Exec / Strategic Director	Head of Service
Normal Leave Entitlement	205.35	149.85
Plus: Bank / Other Holiday Entitlement	55.50	55.50
Plus: Reduction in Contracted Hours	481.00	481.00
Total AL Hours for 2021/22	742.00	687.00

Staff have then been able to choose to:

- Take the increased annual leave as leave when they are not working
- Receive payment for any untaken annual leave
Note: This is calculated at the individuals hourly rate based on their full salary package, so basic salary + retention + market supplement (if applicable) + performance payment
- Carry the untaken annual leave over into the next year.

There are no minimum or maximum limits on how the three options are utilised by individuals each year.

In discussion with the Financial Services Manager, he advised that the increased annual leave allowance had been used as a way to compensate those on flexible retirement for working hours above the 27.75 a week they became contracted for when they took retirement. He explained that it operates like overtime, with people being able to decide whether to take the time off, or work and claim the payment for 'annual leave' that was unused.

In theory, being able to use the 25% reduction in working hours flexibly across the year can be seen to have benefits, for example, to allow Senior Managers flexibility in short periods of high demand, such as at year end. However, incorporating this within the annual leave entitlement along with the removal of the cap on the amount of annual leave that can be sold:

- undermines the case that underpins the flexible retirement agreement where all parties agreed that the reduction in working hours would not impact their ability to deliver services
- opens the revised annual leave scheme up to abuse due to potential lack of transparency on why additional hours are being worked, and
- raises concerns and questions over the intentions of the scheme, as well as equality and fairness due to the scheme only being available and applied to senior managers.

Senior Manager Pay and Conditions

If it was deemed that those on flexible retirement should be paid for additional hours worked, it would have been more appropriate to adjust the overtime policy and allow individuals to claim for pre-agreed overtime. On the basis that all overtime payments would need to be approved by a line manager, this would have helped to ensure:

- transparency over the payments being made to individuals
- only additional hours actually worked are paid for
- there was a clear business need for the additional hours to be worked.

Flexible Retiree's – 2016

At the end of each year, individuals are asked to provide the Financial Services Manager with a breakdown of their leave taken in the year, the days they wish to carry forward and the days they wish to receive payment for. Process notes seen state that the information is then presented to the Chief Executive for authorisation.

There was nothing in place to verify the number of annual leave days stated as taken and those not taken prior to the 2022/23 financial year. It is understood that all leave must now be booked via the online system, although this has not been seen to confirm its operation or effectiveness.

Emails from 2019/20 show the Chief Executive authorised annual leave payments totalling £38,363. This includes a payment for his own unused annual leave totalling £13,328 (see below).

The 2020/21 annual leave payments were authorised by the Strategic Director (Resources), following the death of the Chief Executive in March 2021.

The 2021/22 annual leave payments were authorised by the Interim Chief Executive prior to the 31st March 2022.

It was not examined whether annual leave payments have been made to other senior managers who are party to the 'Annual Leave Exchange Scheme for Senior Managers', but not flexibly retired, although these other senior managers only have a standard amount of annual leave to exchange.

A cost benefit analysis of the flexible retirements taking into consideration the additional costs of the 'Annual Leave Buy Back Scheme' was undertaken by the Financial Services Manager in 2021/22. This includes information on the value annual leave exchange payments made to those who flexibly retired in 2016:

Year	Annual Leave Payments Made
2016/17	£45,719
2017/18	£70,602*
2018/19	£47,139
2019/20	£25,337
2020/21	£52,072
2021/22	£22,482
Total	£263,351

Senior Manager Pay and Conditions

An updated cost benefit analysis for the flexible retirement scheme, including the cost of the annual leave element of the scheme, calculates the total savings that will be achieved up to the 31st March 2022. The calculations compare the total payments made to, or in relation to individuals at their original 1FTE contract vs. the 0.75FTE flexible retirement contract, including salary, retentions, market supplements, 'earn back', annual leave buy back, national insurance and pension payments. In summary:

	£	Payback Achieved By
Total savings since 2015/16 with annual leave payments	6,899	2021/22
Total savings since 2015/16 with annual leave payments adjusted*	0	Not yet achieved £24,003 costs outstanding
Total savings since 2015/16 without annual leave payments	272,005	2018/19

* [REDACTED]

These figures demonstrate that the senior manager annual leave scheme has undermined the original flexible retirement business case, which anticipated a break even point during 2018/19. This has been exacerbated by paying individuals for untaken annual leave carried forward between years, which is not covered by any policy (legitimate or otherwise).

The flexible retirement scheme has not provided the Council with value for money.

Chief Executive

The Chief Executive's contract of employment entitled him to 37 days annual leave (35 plus two days extra statutory days). When he took flexible retirement in 2012, his working hours reduced by 25%. His total pay and benefits package reduced in line with this, entitling him to 27.75 days annual leave each year.

When including the additional annual leave that was provided and also allowed to be carried forward, the level of annual leave the Chief Executive had accrued by 2020/21 was 2030.8 hours, equivalent to over 274 days.

Senior Manager Pay and Conditions

Elements of Annual Leave	Original (hours)	Adjusted (hours) ¹
Reduction in Working Hours	481	454.64
Normal Leave Entitlement	205.35	194.1
Public / Bank Holiday Entitlement ²	49.95	49.95
Total for 2020/21 (rounded up)	737	699
Carried forward from previous years	1331.8	1331.8
New total for 2020/21	2068.8	2030.8

The original hours calculated by the Council were adjusted to reflect that the Chief Executive did not work for the full year.

There is no documentation available to support the legitimacy of this level of annual leave being provided to or held by the Chief Executive.

There was not a copy of the 'Annual Leave Flexible Retirement' scheme within the Chief Executives personal HR or Payroll file. The scheme did not exist when the Chief Executive took flexible retirement in 2012 and there is nothing to suggest the scheme was extended to him in 2016 when it was developed, or in 2018 when the variations were made to contracts of those who took flexible retirement in 2016.

When the Chief Executive passed away in March 2021, he held an annual leave balance of 1542 hours. A payment of £142,726 was paid to his estate in respect of this.

Legal advice given to Northumberland County Council from Nigel Giffin QC in relation to allowance payments made to their Chief Executive, identified in a recent s114 report from the s151 Officer states; *"Any payment made to the Chief Executive needed, in order to be lawful, to fall within s112 of the Local Government Act 1972, which allows an authority to appoint officers "on such reasonable terms and conditions, including conditions as to remuneration, as the authority appointing [the officer] think fit."* By virtue of s112(2A), this power is subject to s41 of the Localism Act, which in turn requires any determination relating to the remuneration or other terms and conditions of a chief officer to be made in compliance with the authority's pay policy statement under s38 of the Localism Act". On this basis, it would need to be determined whether the payment to the Chief Executive's estate can be deemed "reasonable" within the meaning of s112.

The Pay Policy statement provides no coverage on the Council's position of making payments to an employee's family upon their death if they are employed at the time. The statement does require severance packages for staff leaving the authority for £100,000 and above to be approved by full Council. Although this payment to the Chief Executive's estate of £142,726 was not specifically a severance package, in the circumstances of a payment to an individual at this level it would be reasonable for the same expectation to apply.

¹ These hours were adjusted to reflect the passing of the Chief Executive in March 2021.

² Bank holiday entitlement is variable each year depending on the number of bank holiday days within the year.

Senior Manager Pay and Conditions

The payment was made via Payroll to the Chief Executive's bank account following his death. There has been no evidence made available to us to confirm the consultation or authorisation process followed for the payment. However, the Financial Services Manager reports that:

- an accrual had been held on the financial statements to account for the annual leave deemed to be owed to the Chief Executive through the scheme.
- the payment was authorised by the Strategic Director (Resources) who is the Council's s151 officer.
- it was a conscious decision to pay the annual leave at the current hourly rate as opposed to the rate at the time it would have been accrued.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Senior Manager Pay and Conditions

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Guidance notes provided by the previous Financial Services Manager when he left the Council in 2019 state *"This all normally gets paid in March, so will not need an accrual. However the Chief [Executive] is often interested in how his total salary will look on the senior officers note in the accounts. The Chief Accountant will be preparing this so you may need to liaise with her to be able to advise the Chief [Executive] what the effect of his leave payment will then do to his figure quoted in the note to the accounts. The Chief Executive may then ask for some of his to be paid in April, in which case it will need an accrual"*.

An email in December 2017 from the Strategic Director (Transformation and Resources) to the Chief Executive reads: *"As usual, I presume that you will want to be paid for 10 days & to carry the remainder forward. Failure to comply could result in you sticking out like a sore thumb in the accounts !! 😊"*

[REDACTED]

Senior Manager Pay and Conditions

Information provided by the Financial Services Manager shows the following annual leave payments had been made to the Chief Executive since 2016/17.

Year	Leave Payment Made
2016/17	£6,342
2017/18	£6,405
2018/19	£13,067
2019/20	£13,328
2020/21	£142,726
Total	£181,868

As mentioned above, the Chief Executive would authorise the annual leave payments for those who took flexible retirement in 2016. Evidence seen for 2019/20 show that this included the authorisation of his own annual leave payment, and process notes suggest this was the standard approach taken each year. Authorisation of own payments is inappropriate, it carries a high risk of fraud and / or error, removes objectivity from the process and raises questions around individual integrity.

Oversight from Members

The remit of Members within the issues explored in this audit are limited and confined to two areas, both of which are required under the Localism Act 2011:

- Review of appointments of staff members who are paid over £100,000 a year
- Review of the Pay Policy Statement (see above).

A level of oversight of organisational approach to remuneration and conditions is needed to fulfil Members' governance responsibilities. It was recommended as part of the Workforce Management audit completed in April 2022 that the Council introduce a form of a personnel committee responsible for reviewing, agreeing and / or overseeing:

- organisational pay policy and strategy, taking into account key factors such as organisational objectives, long term strategy, relevant market information, and compliance with relevant laws and regulations
- Human Resources related policies and procedures
- appointments of high paid individuals (as per the existing arrangements mentioned above)
- the setting / changing of salaries and / or terms and conditions of Senior Officers
- changes to employee terms and conditions, or variations to the establishment where these affect a number or group of officers
- the objectives set for Senior Officers and administration of any performance related payments annually.

Senior Manager Pay and Conditions

The findings from this audit support the need for introduction of such a personnel committee to ensure appropriate oversight, challenge and authorisation of Council HR policies and action taken by senior officers. This will help to ensure:

- all members of the Council's workforce are treated consistently and fairly
- there is transparency of decision making
- the Council is able to achieve and demonstrate value for money.

Salary Setting and Composition

Due to the issues that emerged during the audit and the need to conclude the work promptly as a result, this area of the original scope has not been explored in detail. Key concerns have emerged though, and these are outlined below.

Job Evaluation

The Council does not currently have a job evaluation scheme in place but is in the process of undertaking a review of current arrangements supported by the LGA.

These schemes are usually used as the basis for determining pay and grading structures. It is recommended that the Council looks to introduce an evaluation scheme at the earliest opportunity to ensure that:

- A systematic approach and process is in place for determining the relative worth of jobs
- The elimination of salary inequalities that will help to reduce the risk of equal pay claims being made against the Council
- A more 'scientific' basis for salaries and thus appropriate processes in place to allow for pay increases and promotions within the organisation.

The Contract Hire Car Scheme

Information around the scheme is unclear, but it has been understood that originally the Council would subsidise the cost of a vehicle by three quarters of the gross costs of the applicable benchmark vehicle. The officer would then pay the balance via a monthly deduction from their salary.

A number of Officers opted for the 'car scheme cash option' which meant they received the contribution payment directly, but separately to their salary.

Individuals' salaries were increased to reflect the Council's contribution to the scheme in 2013/14, as opposed to a separate payment being made. Details of the scheme dated April 2013 state that individuals will be required to fund the full cost of the chosen vehicle by monthly deductions from salary.

In 2017 a review of the scheme was undertaken and a decision made to close it as it was deemed 'neither cost effective or viable to continue to operate it going forward'. However, as individuals already party to the scheme receive the contribution as part of their salary, this has continued to be paid.

Senior Manager Pay and Conditions

Salary Makeup

Contracts in place for those recruited into posts since 2010 include a 'special condition' which states; *'all earnings composing salary, retention payment and any performance award made...and any other additional payment arising under the terms and conditions of service shall be deemed to be part of the basic salary for the post'*. This condition is not included in earlier employment contracts but was captured in contract variations to the [REDACTED] and Chief Executive issued in April 2010.

This is contradicted in other areas of the contract, for example within the Retention Payment appendices, information states that retention is paid in addition to the employee's basic salary / scale point.

This is also contradicted in other Council documents, such as the spreadsheet used to calculate the annual performance payments. This determines basic salary as being the spinal point referenced in the 'Castle Point Borough Council Salary Scale Points' document. Retention and market supplements are then added, to provide a sub total which the performance payment is then calculated on to determine the 'full salary package'.

Good practice indicates that market supplements and retention payments should be reviewed regularly to ensure they remain necessary and appropriate. Incorporating them into individual's basic salary may make this difficult, and could unnecessarily inflate salaries in the longer term, resulting in the Council failing to achieve value for money.

Similarly, by incorporating performance payments within the basic salary the 'earn back' approach that the Council reports it has adopted is not the case in practice, as again the base salary has already been inflated to account for it.

Reporting

The information provided that form the contents of report has been discussed and agreed to be factually accurate with the Financial Services Manager and the Human Resources Manager.

The report has been discussed with the Interim Chief Executive and discussed and finalised with the newly appointed Chief Executive.

The results of this audit work will be reported to the Chief Executive in July 2022.

This report can be provided in alternative formats such as

Braille, audiotape or in large print.

Translations of this document in alternative languages are also available.

DRAFT FOR DISCUSSION PURPOSES ONLY

Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
Potential risk Recruitment into senior management posts may not be undertaken in a fair, transparent or competitive manner to ensure the best individual for the role is identified and selected.				
R1	Extend the 'Managing Organisational Change' Policy to include increased guidance on decision making. For example how: <ul style="list-style-type: none"> • slotting is to be agreed, including the need for some independent oversight to ensure decisions are sound and evidence based • restructures at a senior level within the organisation are authorised, including where those who normally have decision making authority such as the Strategic Director (Resources) are involved directly, or their line reports. As with slotting, this should include a level of independence to allow for suitable challenge and objectivity. 	Introducing clarity on the need for independent oversight and decision making around recruitment and organisational change will help to ensure: <ul style="list-style-type: none"> • decision making is sound, impartial and objective • suitable challenge can be made to ensure the best / most appropriate actions are being taken • there is transparency over the actions and decisions taken by the organisation. 		
R2	As per R6 of the Workforce Management report issued April 2022, implement an approvals workflow for internal promotions, similar to that for external recruitment, which enables oversight and scrutiny of these decisions. Include the requirement to agree and / or report on all changes to senior positions within the Council (i.e. CMT and EMT members) to the Personnel Committee (see R14). Capture the revised process within the 'Managers Recruitment Guide and Procedures'.	Implementing a suitable approval and notification workflow will support the organisation in making the most appropriate decisions and in a transparent manner.		

DRAFT FOR DISCUSSION PURPOSES ONLY

Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
Potential risk Senior manager basic salaries, salary increases and additional payments may not be clear / transparent, reviewed and authorised in accordance with approved policies on a regular basis to ensure they remain fair, in line with market rates and reflective of responsibilities.				
R3	<p>As per R8 of the Workforce Development report issued in April 2022, complete the current job evaluation review, working alongside the Local Government Association and trade unions. As part of this review, produce a tangible output, mapping all roles within the Council to local government pay bands based on Local Government Association standards.</p> <p>Ensure staff are engaged appropriately and updated on the progress of this review on a regular basis.</p> <p>Following the review, consider the need to make any changes to pay rates based on this output.</p> <p>Capture the outcomes in a document, which will be subject to consultation as appropriate and agreed by EMT and / or members via the Personnel Committee (see R14).</p> <p>Pay particular attention to senior roles as part of this review, ensuring careful consideration of the varying responsibilities of senior staff members. Following completion of the review, re-review and update the output at least once every three years or when there are significant changes or challenges to staffing.</p> <p>Ensure Councillors are updated regularly on progress of this review, and sign off on the final output.</p>	<p>Job evaluation is a key process that provides a documented rationale for the relative value of roles, without which the Council may be open to legal challenge, including equal pay challenges, from employees.</p> <p>Job evaluation can also ensure the Council does not overpay staff, whilst offering competitive salaries to attract individuals with the required skillsets.</p>		

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Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
R4	<p>Clarify the definition and composition of: 'basic salary', 'base pay' and 'total salary package'.</p> <p>Give due consideration to:</p> <ul style="list-style-type: none"> all payments currently being made / likely to be made in the future eg. salary scale payment, retentions, market supplements, performance payments etc. how sickness, maternity and redundancy pay would be applied and / or calculated under each of the definitions. <p>Agree the revised definitions with the Personnel Committee (see R14) and publish them within the annual Pay Policy Statement.</p> <p>Update employment contracts to reflect the agreed definitions and treatment of pay elements.</p>	<p>Clarity on the makeup of salaries will allow for understanding and transparency on the full cost of employees and allow individuals, and the Council, to be better informed on the actual and potential financial implications of staffing decisions.</p>		
<p>Potential risk Retention payments and market supplements may not be supported by appropriate rationale, be suitably authorised, or administered in line with agreed policies.</p>				
R5	<p>Introduce a policy on the Council's use of market supplements, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> when the use of market supplements is appropriate eg. where the market rate is higher than what is offered by the Council and there has been difficulty recruiting / retaining individuals in roles as a result details of the qualifying criteria to be met at the time of initial award and any renewal of the market supplement 	<p>Introducing a clear policy on the use of market supplements will help to ensure they are administered only when necessary, in a transparent, fair and consistent manner, allowing the Council to attract and retain the skills required to deliver high quality services to residents.</p>		

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Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
	<ul style="list-style-type: none"> • how to determine the value of market supplement to be paid • the requirement for market supplements to be time limited (ie. effective for two years) • need for market supplements to be reviewed annually to ensure the ongoing need, as well as if there is any re-grading following job evaluation • an application form to be completed by managers • guidance on the evidence required to be provided in support of the application • how approval to market supplement payments (initial and continuation) should be made, including the need for approval by a suitably independent and senior member of staff (or members in the case of Chief Officers). <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>			

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Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
R6	<p>Introduce a policy on the Council's use of retention payments, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> • when the use of retentions is appropriate eg. where individuals hold specialist knowledge or tacit skill that is deemed essential to the organisation • how to determine the value of retention to be paid • how payment will be made eg. in a lump sum, or as a monthly payment in addition to salary • The length of time the employee is required to stay with the organisation in return for the payment • Requirements to re-pay retention payments should the employee not stay with the Council for the specified period • an application form to be completed by managers • guidance on the evidence required to be provided in support of the application • how approval for retention payments (initial and continuation) should be made, including the need for approval by a suitably independent and senior member of staff (or members in the case of Chief Officers). <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>	<p>Introducing a clear policy on the use of retention payments will help to ensure they are administered only when necessary, in a transparent, fair and consistent manner, allowing the Council to attract and retain the skills required to deliver high quality services to residents.</p>		

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	Agreed Management Action	Benefits	Lead officer	When by
R7	<p>Undertake a review of all market supplement and retentions currently in payment against the newly introduced policies and assess whether the criteria for each have been met.</p> <p>If the criteria have been met:</p> <ul style="list-style-type: none"> ensure the level of payment remains appropriate and adjust in line with the current assessment adjust employment contracts to reflect the entitlement to payment and any conditions attached (eg. time limit / review requirements etc) seek approval for the continued payment in line with the policy requirements. <p>If the criteria have not been met, seek to cease the payment. Adjust employment contracts as required to reflect the change.</p>	<p>Reviewing payments currently in place will help to ensure:</p> <ul style="list-style-type: none"> they remain aligned to policy and are therefore warranted and appropriate continue to provide the Council with value for money fairness and equality of pay is maintained within the organisation. 		
R8	<p>Extend the information currently included in the Pay Policy Statement on market supplement, retention and performance payments to:</p> <ul style="list-style-type: none"> outline the number of <ul style="list-style-type: none"> market supplement and retentions currently in payment, highlighting any changes from previous years individuals eligible for performance payments confirm those in payment have been administered in line with the agreed policies 	<p>Extending the information currently published allows:</p> <ul style="list-style-type: none"> for greater accountability for pay policy decisions made by the organisation, including Councillors opportunity for transparency, and to provide context and justification to the public on how their money is being used appropriately in the pay and reward of senior staff. 		

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	Agreed Management Action	Benefits	Lead officer	When by
	<ul style="list-style-type: none"> specify the details of any market supplements, retentions or performance awards in payment to Chief Officers / EMT members. 			
Potential risk Performance payments may not be: <ul style="list-style-type: none"> appropriately authorised and supported by robust evidence, including performance reviews demonstrating achievement of agreed performance targets made in line with contractual agreements, Council policy and / or good practice. 				
R9	<p>Introduce a policy on the Council's use of performance payments, along with supporting guidance notes. Ensure these include:</p> <ul style="list-style-type: none"> clarity on whether the scheme is an 'earn back' or bonus payment scheme, and as such, how the scheme is administered and how the value of the payment should be calculated eligibility criteria for performance payments eg. what roles / level within the organisation they are applicable to the requirement for: <ul style="list-style-type: none"> objectives / targets to be formally set and agreed at the beginning of the year a full performance appraisal to be undertaken in order to assess standard of general performance and achievement against the pre-agreed objectives / targets 	<p>Performance payments can help to encourage high levels of performance among officers when used alongside clear objective setting and performance monitoring. Introducing suitable independent oversight to the process will help to ensure payments are made fairly and appropriately.</p>		

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	Agreed Management Action	Benefits	Lead officer	When by
	<ul style="list-style-type: none"> final approval of performance payments for Chief Officers to be made by an appropriate, independent committee eg. Personnel Committee. <p>Report the new policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p> <p>Note: objective setting and performance appraisals should be undertaken between the individual and their line manager and for Chief Officers, also include the Leader and Deputy Leader of the Council.</p>			
R10	<p>Review the Council authorisation for the payments that have been made to demonstrate that they are not ultra vires.</p> <p>If they are determined to be ultra vires consider the implications for the payments that have been made and what further action the Council should take.</p>	<p>Confirming that payments made to employees under the performance payment scheme have been made legally and with proper authority, and taking proper action if not, will help to demonstrate the Council's commitment to ensuring proper process is followed.</p>		

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Appendix A: Senior Manager Pay and Conditions Action Plan

	Agreed Management Action	Benefits	Lead officer	When by
Potential risk Flexible retirements of senior managers may not be supported by effective business cases, or be executed in line with agreements, opening the Council up to financial loss and failure to achieve value for money.				
R11	<p>Update the Council's 'Retirement Policy and Procedures' to include:</p> <ul style="list-style-type: none"> • guidance on what is deemed to be an acceptable financial implication, how much the Council can spend-to-save and the maximum period of payback allowable • detail of supporting information needed to demonstrate the accuracy / completeness of financial calculations, and how any estimates / assumptions should be tested to ensure they are sound • the requirement to consider the operational impact on the organisation in the short, medium and long term, as well as the strategic impact for those in relevant roles eg. CMT / EMT • the need to explore and capture any risks associated with granting the application, and details on how these will be mitigated • an extension to the current authorisation process, to require approval from the Leader of the Council and Lead Member for Resources for EMT members applications • any reporting requirements deemed necessary to Personnel Committee (see R14) to ensure appropriate transparency and oversight of decision making. 	<p>Fully considering the risks, costs and benefits to the organisation when considering and granting flexible retirements will help to ensure the Council can protect itself against financial and other risks, while also achieving value for money.</p>		

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	Agreed Management Action	Benefits	Lead officer	When by
	<p>Report the updated policy to the Personnel Committee (see R14) for approval.</p> <p>Review the policy on a regular (at least three yearly) basis and report it, along with any changes, to the Personnel Committee for agreement / approval of its continuation.</p>			
Potential risk Annual leave entitlement may not be awarded or administered fairly, consistently or in line with agreed policy, contractual agreements or good practice.				
R12	<p>Review the 'Annual Leave Exchange Scheme for Senior Managers', including the Flexible Retirement version and make a decision on whether the scheme is to continue. Give due consideration into whether the scheme is fair and treats staff within the organisation equitably.</p> <p>If the scheme is to continue, seek approval to it from the Personnel Committee (see R14).</p> <p>If approved:</p> <ul style="list-style-type: none"> introduce independent review and approval of any annual leave payments and report the payment information in advance to the Personnel Committee (see R14) detail the scheme within the Pay Policy Statement, in addition to the current 'Leave Buy Back' reference publish the copies of the approved scheme(s) on the CPBC intranet review the scheme on a regular (at least three yearly) basis and report it, along with any changes, to the 	<p>Ensuring changes in policy affecting select members of staff is properly considered by those not party to the arrangements will allow for more fairness around the process due to:</p> <ul style="list-style-type: none"> independent and objective decision making greater transparency of arrangements. 		

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	Agreed Management Action	Benefits	Lead officer	When by
	<p>Personnel Committee for agreement / approval of its continued use.</p> <p>If the scheme is to cease, update affected individuals' contracts to reflect the change.</p>			
R13	<p>Clarify the Council's position on senior management's ability to carry over unlimited amounts of unused annual leave into future years.</p> <p>If the approach taken is to conflict with the current documented approach within the 'Guide to Annual Leave and Bank Holiday Entitlement', seek approval to the change from the Personnel Committee (see R14).</p> <p>If approved:</p> <ul style="list-style-type: none"> • update the guidance / policy document • reflect the policy position in the Pay Policy Statement • report annually to the Committee on the level of annual leave carried forward in excess of the standard five days and the monetary value of this carry over. 	<p>Ensuring changes in policy affecting select members of staff is properly considered by those not party to the arrangements will allow for more fairness around the process due to:</p> <ul style="list-style-type: none"> • independent and objective decision making • greater transparency of arrangements 		

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	Agreed Management Action	Benefits	Lead officer	When by
Potential risk Councillors may not have appropriate involvement and / or oversight of senior management recruitment, terms and conditions, and performance, limiting their ability to ensure arrangements remain fit for purpose while providing value for money.				
R14	<p>As per R10 of the Workforce Management audit, introduce a Personnel Committee, made up of members, responsible for oversight and approval of:</p> <ul style="list-style-type: none"> organisational pay policy and strategy Human Resources related policies and procedures the setting / changing of salaries and / or terms and conditions of Senior Officers (CMT and EMT), including where total salary packages increase above £100k. changes to employee terms and conditions, or variations to the establishment where these affect a number or group of officers the objectives set for Senior Officers and administration of any performance related payments annually. 	<p>Workforce matters are key to the delivery of the Council's priorities, and a level of oversight of workforce arrangements is needed to fulfil members' governance responsibilities.</p> <p>Implementation of this action will facilitate the review of the Council's overall approach to workforce matters while allowing for greater transparency and accountability of decision making.</p>		