

FAREHAM

BOROUGH COUNCIL

Report to Council

22 October 2020

Subject: **PAY POLICY STATEMENT 2021/22**

Report of: **THE CHIEF EXECUTIVE OFFICER**

SUMMARY

The purpose of this report is to present the updated Pay Policy Statement for 2021/22 to Council for approval.

RECOMMENDATION

It is recommended that Council approves:

- (a) the updated Pay Policy Statement 2021/22; and
- (b) the new Recruitment and Retention Policy – Pension Scheme Compensation Policy.

INTRODUCTION

1. Chapter 8 of the Localism Act 2011 deals with openness and accountability in local pay and requires that local authorities prepare a pay policy statement for each financial year.

PAY POLICY STATEMENT REQUIREMENTS

2. The Pay Policy Statement, attached as Appendix A to this report, sets out Fareham Borough Council's pay policies relating to its workforce for the financial year 2021/22, including the remuneration of its Chief Officers, lowest paid employees and the relationship between its Chief Officers and that of its employees who are not Chief Officers.
3. The pay policy statement must also include the Council's policies relating to:
 - (a) Responsibility for decisions on pay structures,
 - (b) Pay scales and grading framework,
 - (c) Remuneration level including bonuses, performance related pay, charges, fees and allowances,
 - (d) Benefits in kind,
 - (e) Pension,
 - (f) Severance payments,
 - (g) Remuneration of chief officers on recruitment.

RECRUITMENT AND RETENTION

4. This year, an additional Policy document is attached as Annex B, which is aimed to assist with recruitment and retention.
5. If the Council wishes to attract and retain the best employees, it needs to have a range of management tools at its disposal to help with the recruitment process. For example, for many years the Council has offered a Removal and Relocation Scheme to assist new employees with the costs of moving into the Borough.
6. More recently, we have introduced a Market Premium Policy which offers an up-front payment to attract the right calibre of candidates where the recruitment market is highly competitive (e.g. Planning, Building Control and Property). In both cases, there is a requirement for the employee to repay the allowance if they leave the Council within a period of two years.
7. Recent changes to the pension tax regime have introduced a new challenge, which is now acting as a barrier to recruitment and retention. The changes impose a limit on the value of pension savings that an individual can build up (with the benefit of tax reliefs) each year. The limit is referred to as the "Annual Allowance" (AA) and the figures have changed significantly in the last few years, with AA decreasing from over £200,000 to £40,000.

8. The AA for pension savings applies each year and if the limit is exceeded, it is subject to a free-standing tax charge and it is charged at the appropriate marginal rate. This is proving to be a barrier to recruitment and retention because a promotion is likely to result in financial burden for the successful candidate.
9. Some candidates are likely to decline the offer of a job because of this financial burden or, in other cases, the employee will request that they are paid a lower salary than they are entitled to. This position is clearly not sustainable.
10. This means that an employee who has received a promotion can opt for the Local Government Pension Scheme to pay the tax charge. This will result in a reduction to the value of their annual pension. The new Policy will enable the Council to compensate the employee for the loss of pension through a one-off payment. As with the other recruitment and retention policies, the employee would need to repay the lump sum if they leave the Council within a period of two years.

RISK ASSESSMENT

11. There are no significant risk considerations in relation to this report.

CONCLUSION

12. In order to meet the requirements of Chapter 8 of the Localism Act 2011, Council is requested to approve the Pay Policy Statement 2021/22.

Enquiries:

For further information on this report please contact Sarah Robinson ext 4566.

Appendices: Appendix A: Pay Policy Statement 2021/22

Background Papers: None

Reference Papers: Report to the Executive 12 October 2020

Contact: For further information please contact Sarah Robinson (Ext: 4566).