

This Report will be made public on 21 September 2021



Report Number **A/21/13**

**To:** Council  
**Date:** 29 September 2021  
**Status:** Non - executive decision  
**Responsible Officer:** Susan Priest, Chief Executive

**SUBJECT:** PAY POLICY – SALARY AND SEVERANCE PACKAGES

**SUMMARY:** This report sets out director salaries and a severance package to Council, as required by the Pay Policy Statement.

**RECOMMENDATIONS:**

1. To receive and note report A/21/13.
2. To note the salaries and a severance package set out respectively in paragraphs 2.3 and 2.5 – 2.6 of this report.

## 1. BACKGROUND

1.1 The Council's Pay Policy Statement (last approved by the Council on 21 July 2021, minute 21) contains the following paragraphs:-

*"13. Full Council will be offered the opportunity to vote on salary packages, at the time of an employee's appointment, which are greater than £100,000 a year. Salary packages include the annual salary, bonuses, fees or allowances routinely payable to the appointee and benefits in kind to which the officer is entitled as a result of their employment."*

*"38. Full Council will be offered the opportunity to vote on severance packages which are greater than £100,000. Severance payments may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid. Bonuses may include any payment not normally paid to the employee and not formally identified within this document."*

1.2 This report sets out the circumstances where, regrettably, the Statement was not complied with. As a result of this it will not be possible for Full Council to vote on the appointments and the voluntary redundancy package (both of which have already been implemented). Full Council is therefore asked (in this particular instance) to note this report.

1.3 It should be emphasised however that the reporting oversights have not lead to any loss to the Council; amounts are either contractual or statutory entitlements.

## 2. DETAILS OF THE CIRCUMSTANCES

### A: Salary Packages

2.1 The Director of Corporate Services (s151 Officer) role and the Director of Housing & Operations role were appointed by the Personnel Committee on 17 December 2019 (minute 22). These appointments were reported to Council as part of the Leader's announcements at the Council meeting on the following day (minute 76).

2.2 The Director of Place was one of three candidates considered by the Personnel Committee Selection process on 4 February 2020 where at Minute 27 the Personnel Committee delegated the final decision to the Chief Executive. The Director of Place commenced employment on 11 May 2020.

2.3 Each Director was appointed on the first point of the pay scale, namely £99,577 p.a., thus below the £100,000 threshold. However each post holder is entitled to a car allowance of £6,359 which means that the total salary package exceeds the threshold and the matter should therefore have been reported to Council at an appropriate opportunity. This report now seeks to formally conclude the matter.

## B: Severance Package

- 2.4 Staff member "A" requested voluntary redundancy on 2 August 2020. In line with her delegated authority the Chief Executive approved the application. The annual saving by allowing the redundancy is £49,963 (not including on-costs which would add approx. another 10k) per annum from the salary budgets.
- 2.5 The payment made under this voluntary redundancy were as follows:-
- £11,298 statutory redundancy (21 weeks x £538);
  - £2,000 ex gratia payment
  - £3,135.88 annual leave
  - £11,438.88 pay in lieu of 12 weeks' notice
  - £100 to reinstate confidentiality within the settlement agreement
- 2.6 In addition, there was a pension strain cost payable to the Local Government Pension Scheme of £80,700.
- 2.7 The pension strain is the amount payable by the Council to the pension scheme as a result of the shortfall on the pension funding by the fact that the staff member would take his or her pension early. The £80,700 does not represent a payment to the member of staff. Nevertheless the pension strain does mean that the costs to the Council exceeded the £100,000 threshold.
- 2.8 The reporting error occurred because at the point in time the Exit Pay Cap requirements for the HMRC calculations did not require payment in lieu of notice to be taken into account (as it amounted to less than one quarter of the annual salary), whereas the council's Pay Policy Statement does. Regrettably the Pay Cap requirements were used to authorise the amount payable which led to the reporting error. For information, the Exit Pay Cap regulations which came into force in late 2020 were subsequently revoked in early 2021.
- 2.9 In summary, the Pay Policy Statement requires the Council to be given the opportunity to vote on salary packages and severance payments over £100,000. This was not done in the cases mentioned above, Council is asked therefore to note the payments made.

## 3. LESSONS

- 3.1 A thorough review of the circumstances has been undertaken by internal audit and the external auditor advised accordingly.
- 3.2 To avoid any repeat in respect of salary packages, reports to Personnel Committee on appointments where the salary could exceed £100,000 will have a new dedicated section on whether a report to Council is needed.
- 3.3 In respect of severance payments, a new control in the form of a new calculation authorisation form has already been implemented. This form

clarifies the division of authorising duties, and clearly sets out the trigger for requiring a report to council.

#### **4. RISK MANAGEMENT ISSUES**

4.1 The risks are set out below

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
Failure to report salary packages / severance payments exceeding £100,000 in the future	Medium	Low	Implement new controls set out above.

#### **5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

##### **5.1 Legal Officer's Comments (AK)**

Any legal issues are covered in the main body of the report.

##### **5.2 Finance Officer's Comments (CS)**

The financial implications have been outlined in full within the body of the report and relate to contractual or statutory payments.

##### **5.3 Diversities and Equalities Implications (AS)**

There are no equality or diversity issues arising as a result of the report.

#### **6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Susan Priest, Chief Executive  
Telephone: 01303 853315  
Email: susan.priest@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Internal Audit Investigation Report dated 13 August 2021