

**URGENT BUSINESS AND SUPPLEMENTARY INFORMATION**

**Council**

**22 February 2016**

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
5.	Pages 1 - 6	Urgent Business Three Way Working: Section 113 Agreements	Chief Executive	Urgent business following recommendation of Joint Commissioning Committee on 16 February 2016
11.	Pages 7 - 12	Revenue and Capital Budget and Corporate Business Plan 2016/17 Appendix 8 – Pay Policy Statement 2016/17	Director of Resources / Section 151 Officer, Head of Transformation, Head of Finance and Procurement	Appendix being reviewed and finalised at time of agenda dispatch

*If you need any further information about the meeting please contact* Natasha Clark, Democratic and Elections [natasha.clark@cherwellandsouthnorthants.gov.uk](mailto:natasha.clark@cherwellandsouthnorthants.gov.uk), 01295 221589

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## Cherwell District Council

### Council

22 February 2016

#### Three Way Working: Section 113 Agreements

### Report of Chief Executive

This report is public.

#### Purpose of report

This report provides an update on progress with regards to implementation of the business case for the confederation approach to joint working agreed by Council in February 2015. The report includes an update on the position with Stratford on Avon District Council who did not take any decisions in 2015 regarding their participation in the proposed confederation. The report also provides an update on the decisions to cease joint working with Stratford on Avon DC with the exception of the externally funded Transformation team.

The report requests Council to bring to an end the Section 113 agreements which enable shared working with Stratford and to extend the Section 113 agreement for the Transformation team.

#### 1.0 Recommendations

Council is recommended:

- 1.1 To note the decision of the Executive that, following discussions with Stratford on Avon DC (SDC), no further three way joint working proposals with SDC be developed as SDC have indicated they do not wish to pursue the confederation as their future operating model.
- 1.2 To note that the three councils have agreed to continue the operation of the three way transformation team until the secondment period finishes in March 2017 and agree that the Transformation Team Section 113 agreement (between Cherwell, South Northants and Stratford on Avon) be extended to reflect this (subject to a similar decision being made by SDC).
- 1.3 To note the decision of the Joint Commissioning Committee (16 February 2016) following consideration of a review that the legal and ICT services for Cherwell District Council and South Northamptonshire Council be provided by two way shared teams once the three way teams are disbanded.

- 1.4 To agree that in light of recommendation 1.3 above the section 113 agreement setting out the arrangements by which legal and ICT services are shared with Stratford on Avon DC is terminated and the specified six month notice period is used to the extent that it is necessary to wind down the three way services. That the Head of Law and Governance be delegated to waive this notice period should an early wind down be possible for either service.

## **2.0 Introduction**

- 2.1 In January 2014 Cherwell District Council (CDC), South Northamptonshire Council (SNC), and Stratford on Avon District Council (SDC) entered into a partnership to deliver savings through a joint working programme that included maximising opportunities for shared services and exploring opportunities for income generation through the use of alternative service delivery models such as council owned companies that could facilitate trading and potentially the generation of income through activities such as asset management and/or development.
- 2.2 The three way Joint Arrangements Steering Group (JASG) commissioned a review of governance to determine the most effective delivery models and it was quickly determined that traditional top down approaches to shared services would not work. Of particular concern to CDC and SNC was the potential impact on both strategic and service delivery capacity if staff were split across three sites extending the model of two way working across three (or potentially more) partners.
- 2.3 Following this work JASG then commissioned external advisors to help develop an operating model that would facilitate joint working across multiple partners (i.e. three plus), would ensure that strong governance arrangements were in place that ensured each council was being charged fairly for the service provided, that could enable trading of services and that could be broadened to include additional partners as and when required. This work was overseen by the three way Transformation Joint Working Group (TJWG) and JASG. In November 2014 three way JASG unanimously agreed an outline business case for the 'confederation' operating model. This operating model uses council owned companies overseen by a co-ordination entity to deliver services and generate income. It also maximises flexibility by enabling additional partners to come on board as desired, all services were put in scope for potential delivery within this model, subject to service specific business cases, thereby facilitating an incremental development of the operating model.
- 2.4 In December 2014 CDC and SNC councils adopted the business case in principle and proceeded to public consultation. At this stage Stratford on Avon District Council did not adopt the outline business case in full. An alternative set of proposals were adopted by SDC Council in December 2014 committing them in principle to shared services with no decision regarding the use of alternative service delivery models.
- 2.5 Following a positive consultation process CDC and SNC adopted a full business case in February 2015, this put all services in scope (subject to the development of specific business cases) for delivery within a two way confederation, the business case also set out savings targets to be delivered on a two way basis whilst SDC reviewed their position.

- 2.6 On 23 September 2015, following the all-out elections in May 2015, SDC overview and scrutiny committee reviewed the confederation operating model. The committee did not make any recommendations regarding the model but did request that alternative budget reduction proposals were prepared. The SDC Cabinet also began exploring options for devolution in the West Midlands region. As the devolution agenda has developed it has become clear that SDC are increasingly looking towards county and regional options for service delivery and the strategic alignment between CDC/SNC and SDC that was in place during 2013 and 2014, when three way shared services in legal and ICT were delivered, is no longer there.

### **3.0 Report Details**

- 3.1 Following discussions with SDC at a senior political level in December 2015 it is clear that they cannot commit to the same transformation objectives as CDC and SNC.
- 3.2 CDC and SNC and have made significant progress during 2015 delivering further shared services and now need to look at the use of alternative service delivery models to realise the full benefits of the business case, including moves towards income generation.
- 3.3 All parties have therefore considered the position and agreed that no further proposals for three way shared services should be brought forward, this was agreed by the Cherwell Executive and South Northants Cabinet in February 2016.
- 3.4 With regards to the existing three way shared services for Legal and ICT a review of each service was undertaken by the lead officers at both CDC/SNC and SDC respectively to ascertain the most appropriate way forward for CDC/SNC and SDC. Having considered the reviews the Joint Commissioning Committee resolved that the legal and ICT services for Cherwell District Council and South Northamptonshire Council be provided by two way shared teams once the three way teams are disbanded.
- 3.5 The position with the three way transformation team is somewhat different as the team is externally funded, operating on a secondment basis which comes to an end in March 2017 and are not responsible for frontline service delivery. Following discussions with SDC it is proposed that the operation of this team continues with a focus on delivery of the programme as set out in the TCA bid led by South Northants in 2014, ensuring effective transition arrangements, overseeing the TCA projects that are delivering ICT transformation (document management, land and property systems) and sharing learning with SDC as appropriate. The three councils have agreed to continue the operation of the three way transformation team until the secondment period finishes in March 2017 and Council is asked to agree that the Transformation Team Section 113 agreement (between Cherwell, South Northants and Stratford on Avon) be extended to reflect this (subject to a similar decision being made by SDC).
- 3.6 As set out in paragraph 3.4 the Joint Commissioning Committee have determined that the three way shared services should cease to continue, therefore Council is asked to agree that the section 113 agreement setting out the arrangements by which legal and ICT services are shared with Stratford on Avon DC is terminated and the specified six month notice period is used to the extent that it is necessary to

wind down the three way services. Exit arrangements will be enacted as set out in the three way S113 agreements (see excerpt below).

*In the event of a termination for any reason the Councils shall:*

*(a) co-operate in terminating, modifying, restructuring, assigning or novating contractual arrangements entered into to mutual advantage and properly and timeously execute any documents necessary.*

*(b) use best endeavours to secure an amicable financial settlement*

*(c) immediately transfer or return any property including data belonging to the other councils*

## **4.0 Conclusion and Reasons for Recommendations**

4.1 In 2013 and early 2014 there was a high level of strategic alignment between the three councils who all committed to an innovative programme of joint working and delivered savings through the implementation of shared ICT and Legal services.

4.2 As the programme has progressed at pace for CDC and SNC and as SDC has looked increasingly to the West Midlands region as the devolution agenda has developed it is clear that the strategic fit between the three partners is no longer in place. At this stage it is believed to be the best course of action to end the partnership with SDC which will enable CDC and SNC to focus on the delivery of the next stage of their transformation programme.

4.3 The decision to give notice under the Section 113 agreement is a direct consequence of the decisions to end all 3 way working with SDC.

## **5.0 Consultation**

5.1 Any consultation with affected staff will be undertaken in line with the councils' organisational change policy.

## **6.0 Implications**

### **Financial & Resource Implications**

6.1 There are no financial implications arising from the continuation of the transformation programme team as this is externally funded.

6.2 The financial implications of moving to a two way service arrangement for Legal and ICT were reported and fully considered by the JCC in making their decision. There are no direct financial implications that rise from ending the Section 113 agreement.

6.3 The loss of further three way shared working opportunities could mean that potential savings through joint working are reduced, however the confederation operating model facilitates joint working with any additional partners and therefore the

opportunity to access savings or increased income through wider joint working partnerships remains and is clearly within the scope of the CDC and SNC transformation programme. Furthermore the confederation business case adopted by CDC and SNC councils in February 2015 sets out savings targets to be met through the two way programme and delivery of these savings during 2015 is on track.

Comments checked by: Martin Henry, Director of Resources, Tel. 0300 0030102, [martin.henry@cherwellandsouthnorthants.gov.uk](mailto:martin.henry@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

- 6.5 The section 113 agreement between the three councils provides for the process to be followed in the event of one of the councils wanting to withdraw from three way working. This includes the need to follow a dispute resolution procedure and the requirement to give six months' notice. The three councils could also agree to terminate the agreement and this would be a preferable route to follow if feasible because the dispute resolution process is avoided. While the agreement requires a mutually agreed termination to have the recommendation of the three way Joint Arrangements Steering Group (which hasn't met for some time and would need re-constituting for 2015/16) the councils could agree to waive this requirement in the event that all three resolve to terminate. It would also be possible for the councils to agree to waive the requirement for six months' notice and, in the case of legal services, it is recommended that this option be pursued.

Comments checked by: Richard Hawtin, Team Leader, Non-Contentious Business, Tel 01295 221695, [Richard.Hawtin@Cherwellandsouthnorthants.gov.uk](mailto:Richard.Hawtin@Cherwellandsouthnorthants.gov.uk)

### **Risk Implications**

- 6.6 The relationships across the three partners remain good, and the proposals to develop no further shared services on a three way basis reflect a difference in strategic objectives and not a service delivery breakdown. As such it is not anticipated that there will be any risks to service delivery, however a full risk assessment was undertaken and provided to JCC who will oversee the risk management of planned exit.

Comments checked by: Clair Taylor, Business Transformation Manager, Tel 01295 221563, [claire.taylor@cherwellandsouthnorthants.gov.uk](mailto:claire.taylor@cherwellandsouthnorthants.gov.uk)

## **7.0 Decision Information**

### **Wards Affected**

All.

### **Lead Councillors**

Cllr Barry Wood  
Leader of the Council

## Document Information

<b>Appendix No</b>	<b>Title</b>
None	
<b>Background Papers</b>	
None	
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## **Joint Pay Policy Statement 2016-17**

### **1. Definition and Scope**

This Pay Policy Statement sets out the Councils' policies towards a range of issues relating to the pay of the workforce, in particular Chief Officers and the lowest paid staff.

In accordance with the requirements of the Localism Act 2011, the Pay Policy Statement will be agreed by the Councils for each financial year and will be published on the Councils' websites. This statement can be amended during the financial year, providing any changes are approved by Full Council at both Councils.

All decisions on pay and reward for Chief Officers will comply with this Pay Policy Statement.

Councillors at both Councils will be given the opportunity to vote before salary packages are offered in respect of any new appointment to a joint role where the annual salary package is £100,000 or over. In the event that the relevant post is not joint the Councillors of the employing Council concerned will be given this opportunity.

"Chief Officer" is defined as all officers employed by either Council on or equivalent to the JNC terms and conditions for Chief Officers. This includes:

1 Joint Chief Executive (Head of Paid Service)\*

3 Joint Directors

1 Cherwell only Director

1 Chief Finance Officer (Section 151 Officer)\*

8 Heads of Service (including Monitoring Officer)\*

\*Statutory appointments which the Councils' are required to have in the interests of effective corporate governance.

It should be noted that the organisations are part way through a senior management restructure. The first phase dealt with the Director posts and also created the Chief Finance Officer post.

The second phase will review the current Head of Service posts and therefore the detail included above may change for 2016-17.

Whilst the majority of Chief Officer roles are shared jointly between the two Councils, the Councils split responsibility for being the employer. The posts detailed above include officers employed by each Council. From the 01 April 2016 five members of the team will be employed by Cherwell District Council and five members of the team will be employed by South Northamptonshire Council. A decision on which Council employs members of the team is made in relation to each appointment  
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but salary and all other terms and conditions are identical irrespective of which organisation has the employment relationship.

At a time when the Councils and the wider economy are facing considerable financial pressure and uncertainty, it is understandable that there are high levels of interest in, and scrutiny of, the Council's senior management pay and reward structures.

In the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive (and being seen as such).

## **2. Determination of pay levels**

Following a job evaluation and benchmarking exercise conducted under the Hay Group Job Evaluation Scheme ('Hay Scheme') in 2011, the Councils formally adopted a salary scale for Chief Officers. The 'Hay Scheme' is a systematic process for ranking jobs logically and fairly by comparing job against job or against a pre-determined scale to determine the relative importance of jobs to an organisation. The salary scale for the Councils' Chief Officers is published on our websites.

The CDC Director post was evaluated using the Hay scheme in 2013. The three new joint Director posts and new Chief Finance Officer post were all evaluated using the Hay Scheme in 2015 and 2016 respectively (see note below). The results of the job evaluation process were then translated across to the salary scale.

Any subsequent new posts will be evaluated using the Hay Scheme and paid in accordance with the published salary scale.

## **3. Determination of individual pay levels within grade**

### **(a) On appointment**

The Joint Chief Executive is appointed to a spot salary of £129,744 per annum.

Other Chief Officers are appointed to a salary within a range as below.

Note: The Councils have just completed phase 1 of a review of the Joint Management Team and as a result the salary grades for the new joint Directors and joint Chief Finance Officer are as described below.

Pending completion of phase 2 of the management restructure the salary levels for the current Heads of Service remain correct at the time of publishing this Pay Policy Statement (February 2016) but may change during the course of the year.

**Table 1: Chief Officers' Pay Structure**

Date: February 2016

		£		
<b>Joint Chief Executive</b>		129,744		
<b>Joint Director</b>		£	<b>Joint Heads of Service</b>	
	DIR001	92,000	HOS010	63,315
	DIR002	95,000	HOS011	64,353
	DIR003	99,476	HOS012	65,390
<b>CDC Director</b>			HOS013	66,429
	DIR001	81,998	HOS014	67,467
	DIR002	84,593	HOS015	68,505
	DIR003	87,188	HOS016	69,543
	DIR004	89,783	HOS017	70,581
	DIR005	91,340	HOS018	71,619
<b>Joint Chief Finance Officer</b>			HOS019	72,657
	CFO001	83,500	HOS020	73,695
	CFO002	86,500	HOS021	74,733
	CFO003	90,000	HOS022	75,770

The point at which officers are appointed to the scale is determined by the Joint Commissioning Committee when the offer is made. Factors taken into account are:

- Skills and experience
- Current salary
- Market factors

Where the conditions of the scheme are met, new appointments may also access financial support for relocation up to the amount specified within the policy which is published on the Councils' websites.

The Councils do not currently operate a system of 'earn-back' pay for Chief Officers, where an element of their pay is 'at risk' and has to be earned back each year through meeting pre-agreed objectives.

#### **(b) Progression through the pay scales**

The Joint Chief Executive is employed on a single pay point; consequently there is no progression but the amount is increased by cost of living increases when agreed by the Joint Commissioning Committee.

Progression through the Chief Officer pay scale each year for Directors, the Chief Finance Officer and Heads of Service is subject to the overall organisation objectives being met as detailed within the corporate plans and subject to there being no individual performance issues. In the latter case incremental progression can be withheld pending improvement. For individuals who perform exceptionally well there is discretion to accelerate progression within the scale. This discretion is

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delegated to the Joint Chief Executive in consultation with the Leaders of the Councils. In the event that organisational objectives are not met there is no incremental progression.

### **(c) Additional pay**

#### **Bonus/performance related pay**

Chief Officers do not receive any bonus payments or performance related pay.

#### **Cost of living pay awards (annual)**

Cherwell District Council conducts its own local annual pay negotiations with Unison to determine whether an annual cost of living pay award will be applied and what the value/terms may be.

South Northamptonshire Council tracks the national (local government) pay award, and typically applies it, once it has been set by the National Joint Negotiating Committee for Local Government Services.

The Councils' Chief Officers are not subject to these arrangements. Chief Officers' cost of living pay awards are considered separately by the Joint Commissioning Committee (JCC) annually following settlement or decision (as appropriate) in relation to the cost of living pay award's for mainstream staff and takes into account a range of factors including national agreements, local agreements, the economy, affordability and so on. This approach ensures that any cost of living pay award for Chief Officers is set in the context of the annual cost of living pay award for mainstream staff of the two organisations.

#### **Returning Officer fees**

The Joint Chief Executive is also appointed by the Councils as their Returning Officer. This is a separate appointment to the Joint Chief Executive's substantive employment.

The Returning Officer's fee is paid separately from and in addition to the Joint Chief Executive's salary. The Returning Officer's fee is set by the Councils for district and parish elections but determined either by central government or another determining body e.g. the County Council, European Parliament or Electoral Commission for other elections.

#### **Elections fees**

Election duties performed by Chief Officers' are separate to their substantive employment by the Councils and are paid separately from their salary at levels determined by Returning Officer. This reflects the very significant additional duties undertaken by staff volunteering to carry out election duties over and above their normal contractual council responsibilities. Such staff are employed by the Returning Officer and not the Councils for these duties. In setting fee levels, the Returning Officer takes into account a range of factors, including levels of responsibility and expertise required.

#### **Special Responsibility allowances**

A flat rate special responsibility allowance of £2500pa is paid to the following officers:

- Monitoring Officer (Head of Law and Governance)
- Section 151 Officer (Head of Finance and Procurement pending recruitment to CFO post)

Detailed pay statements for the last financial year can be found on the Councils' websites.

[http://www.cherwell.gov.uk/media/pdf/q/i/CDC\\_Statement\\_of\\_Accounts\\_2014\\_15\\_Final\\_Audited\\_Version\\_with\\_Audit\\_Opinion.pdf](http://www.cherwell.gov.uk/media/pdf/q/i/CDC_Statement_of_Accounts_2014_15_Final_Audited_Version_with_Audit_Opinion.pdf)

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#### **4. When employment ends**

A Chief Officer who ceases employment with the Council may be entitled to a severance payment if they are being dismissed either on grounds of redundancy or in the interests of the efficient exercise of the Councils' functions. The procedure applicable in these circumstances is governed by the Councils' Organisational Change Policy.

The Councils' Pensions Discretion Policy sets out the discretions which the Councils are able to exercise in the case of Chief Officers (and all other employees). The procedure for approving the application of any pension discretion is contained within this policy.

The Pensions Discretion Policies of each Council make clear that the abatement provisions of the Local Government Pension scheme will apply if an employee, who is in receipt of a LGPS pension, is re-employed by either Council at a rate that results in their new pay plus pension being higher than the pay in the job from which they retired.

Officers who have received a redundancy payment and/or early access to their pension may only be re-employed by either Council on an exception basis, for a specific purpose and explicit agreement of the Joint Chief Executive in consultation with the Leader of each Council, must be given.

#### **5. Terms and conditions of employment**

The Joint Chief Executive's terms and conditions of employment are in accordance with the Joint Negotiating Committee (JNC) for Local Authorities' Chief Executives.

All other Chief Officers' terms and conditions of employment are in accordance with the Joint Negotiating Committee (JNC) for Local Authorities' Chief Officers as supplemented by the Councils' employment policies. These may be amended from time to time by the Councils and agreements made with employee representative bodies.

#### **6. Remuneration of the lowest paid employees**

##### **(a) Cherwell District Council**

The remuneration of the lowest-paid employees at Cherwell District Council is determined by the application of the Greater London Provincial Council Job Evaluation Scheme ('GLPC Scheme'). The GLPC developed and adopted this scheme for use by London boroughs and later extended its use more widely. Its aim is to operate grading arrangements based on principles of fairness, transparency, and consistency.

The lowest paid employee is on Grade 1A of the pay structure. The current rate of pay for this post is £15,007 per annum (including 1.25% pay award for 2016/17).

The pay multiple (that is the ratio between the highest paid earner and the average mean earnings of the whole workforce) is 3.95.

##### **(b) South Northamptonshire Council**

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The remuneration of the lowest paid employees at South Northamptonshire Council is determined by the application of the Hay Job Evaluation Scheme and the pay structure.

The lowest paid employee is on Grade 12 SCP 1 of the pay structure. The current rate of pay for this post is £13,899 per annum (including 1.00% national living pay award for 2016/17).

The pay multiple (that is the ratio between the highest paid earner and the average mean earnings of the whole workforce) is 5.34.

**(c) National living wage**

In April 2016, the government will introduce a new mandatory national living wage for workers aged 25 and above, initially set at £7.20 – a rise of 50p relative to the current national minimum wage rate. With the exception of Apprentices both Cherwell District Council and South Northamptonshire Council will be compliant with the national living wage.

**7. Relationship between the remuneration of the Councils' Chief Officers and other Officers**

The Councils' policies in respect of Chief Officer pay and other mainstream employees vary only in the application of allowances for additional working hours and access to increments.

Chief Officers are expected to work the number of hours required to properly perform their duties including out of hours and emergency cover. No additional allowances are paid in respect of these duties.

Chief Officers' incremental progression is dependent on achievement of corporate objectives and individual performance and may be withheld or accelerated on this basis.