

Chief Executive – Changes to Terms & Conditions of Employment

Special Committee

Date: 19 March 2012

Author: Leader of the Council and Head of Human Resources

Parish / Wards Affected: All

Purpose

- To seek Special Committee's endorsement, on behalf of the Council, to changes in the terms and conditions of employment for the existing Chief Executive

Recommendations

That the Special Committee, on behalf of the Council:-

- (1) Notes that the Chief Executive wishes to receive a further voluntary reduction in annual salary of 3%, to £161,003, with effect from 1 April 2012;
- (2) Agrees that the notice period for the Chief Executive, by either party, be extended from 3 months to 6 months and that the Chief Executive's terms and conditions be amended accordingly;
- (3) Notes that, if notice is given by either party, then the Chief Executive's salary will revert to the substantive contractual rate of £178,475, with immediate effect from the date that notice is given and that any redundancy payment (if applicable) will be based on the substantive salary.

1. Reasons

- 1.1. Changes to the Chief Executive's terms and conditions of employment are a member decision as the Head of Human Resources does not hold such specific delegated powers, under the Council's Scheme of Delegation.

2. Detail

- 2.1 The Chief Executive's current substantive annual contractual salary is £178,475.
- 2.2 With effect from 1 September 2010 the Chief Executive took a voluntary reduction in salary to £165,982 in the light of the economic circumstances of the time. It was agreed between the Chief Executive and the Leader of the Council that this arrangement would be reviewed in March 2012.
- 2.3 In addition to the temporary reduction in salary, the Chief Executive, along with other Directors of the Council, has also chosen not to take any

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performance related bonus for the years 2009/10, 2010/11. It is not envisaged that any performance bonus will be taken for 2011/12. This bonus is worth up to 15% of gross salary to the Chief Executive and Group Directors, and 10% to Directors.

- 2.4 On this basis, so far as the Chief Executive's pay is concerned, taking into account the reduction in salary and waiver of the bonus, the Council has already accrued a net benefit in the region of £80,000 - £90,000 (based on 3 years non-payment of bonus and one year of voluntary reduction in salary).
- 2.5 The Chief Executive is now proposing a further voluntary reduction in salary to £161,003, to be implemented with effect from 1 April 2012 because he considers this level more appropriate in the light of the continuing economic circumstances. This decision clearly offers a benefit to the Council, in that against the substantive salary of £178,457 it offers a saving of £17,457 per annum in salary costs plus the additional savings in pension benefits and NI contributions (approximately 25% of salary costs, c £4,364 pa).
- 2.6 In considering this matter, the period of notice has also been reviewed. The Local Government Chief Officers handbook states that notice periods for Chief Officers will normally be 3 months but it also gives local authorities discretion for notice periods for a Chief Officer to be changed by mutual agreement. There is a benefit to the Council to have a longer notice period from the Chief Executive, particularly during a period of signification change, as it will allow greater stability to the Council to allow for a proper handover.
- 2.7 Accordingly, it is proposed that a variation to the Chief Executive's terms and conditions of employment is made, in that the notice period by either party be increased from 3 months to 6 months. It should also be noted that should notice to terminate the contract be given by either party, that the substantive rate of salary (£178,475) would be reinstated immediately for the notice period and that any redundancy payment, if applicable, would be based on the substantive rate of pay. The additional cost of this will be around £62,000, significantly less than the net benefit already accrued.
- 2.8 The District Auditor has been made aware of the proposed changes and has confirmed that this is a matter for the Council to determine.

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3. Alternative Options

- 3.1. That the voluntary reduction in salary is not supported by the other changes to terms and conditions of employment.

Risk Management

Financial Implications

- Based on a full year, the additional voluntary reduction in salary will offer savings to the council of approx. £21,821 pa (including on-costs of approx. 25%) against the substantive salary of £178,457. In addition, net savings in the region of £80,000 - £90,000 have already accrued in relation to the current voluntary reduction in salary and non-payment of the performance bonus, more than offsetting the additional cost of the extended notice period at around £62,000.

Legal / Human Rights Implications

- Legal and Human Rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with convention rights.

Other Implications

- Equality and diversity implications have been considered in the development of this report.

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

Background Papers and Appendices

- None

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