

# Annual Pay Policy Statement 2025/26

(The Localism Act 2011)



## Introduction

The Localism Act 2011 (the Act) requires the council to prepare a pay policy statement each year. The pay policy statement must articulate the council's approach to a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees.

The following pay policy statement has been approved by Full Council and will come into effect from 1 April 2025. This annual pay policy statement will be subject to annual review and approval by Full Council by 31 March each year. In exceptional circumstances the statement may be reviewed/amended mid-year by the Full Council.

This statement will be published on the council's website following each review and approval by Full Council.

The purpose of this statement is to provide transparency with regard to the council's approach to setting the pay of its employees (excluding staff working in local authority schools) by identifying:

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of the council's most senior staff;
- the remuneration of the council's lowest-paid employees, and
- the relationship between the remuneration of chief officers and those employees who are not chief officers.

This pay policy statement sets out the council's approach to pay policy in accordance with the requirements of Section 38 of the Act. Section 40(1) of the Act requires local authorities to have regard to guidance issued by the Secretary of State in performing their functions and approving pay policy statements. In preparing this pay policy statement regard has been given to the guidance issued by the Department for Communities and Local Government in February 2012 alongside the supplementary guidance issued in February 2013.

### 1. The Council's Pay and Grading Structure

1.1 Section 112 of the Local Government Act 1972 provides that a local authority shall appoint such officers as they think fit for the proper discharge of their functions. Officers so appointed shall hold office on such reasonable terms and conditions, including conditions as to remuneration, as the local authority thinks fit.

1.2 In determining the pay and remuneration of all of its employees, the council will comply with all relevant employment legislation. The council will ensure that there is no pay discrimination within its pay and grading structures and that all pay differentials can be objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of posts in grades according to the requirements, demands and responsibilities of the role.



- 1.3 The remuneration of the vast majority of employees of the council, other than those employee groups set out below, is in accordance with an objectively evaluated grade profile or job description as determined under the council's job evaluation scheme. The evaluated score for the grade profile/job description will determine the grading level paid within a locally agreed pay spine (the Lancashire Pay Spine (see Annex 1)). The council presently uses the Local Government Single Status Job Evaluation Scheme (the NJC scheme) to evaluate posts up to Grade 6 on the Lancashire Pay Spine and the Hay Group Job Evaluation Scheme for other managerial and professional grades.
- 1.4 The following employee groups are not presently paid in accordance with an evaluated grade profile/job description determined by the council, unless employees have subsequently been appointed to a post that is paid in accordance with the Lancashire Pay Spine, and instead nationally or locally determined rates apply:
- Employees whose pay and conditions are determined by the Soulbury Committee;
  - Employees whose pay and conditions of service are determined by the Joint Negotiating Committee for Youth and Community Workers;
  - Employees who have transferred from the NHS to the council following a TUPE or statutory transfer;
  - Employees who have retained terms and conditions of employment from other employers following a Transfer of Undertakings (Protection of Employment) regulations (TUPE) transfer to the council.
- 1.5 The council presently adopts the national pay bargaining arrangements in respect of the revision of pay spines through any agreed annual pay increases negotiated with joint trade unions.
- 1.6 All other pay related enhancements and payable allowances/expenses are the subject of either nationally or locally negotiated and/or determined rates. The enhancements to pay and allowances/expenses payable as determined from time to time are provided at Annex 2 (Payable Enhancements) and Annex 3 (Allowances and Expenses) respectively.
- 1.7 New appointments will normally be made at the minimum of the relevant pay scale for the grade, although recruiting managers have discretion to offer a higher scale point to secure the best candidate.
- 1.8 Progression within each grade will normally be by annual increment at 1 April each year subject to the maximum of the grade. However, heads of service have discretion to advance an individual employee's incremental progression



within the grade on the grounds of special merit or ability to assist in the retention of able professional or other staff.

- 1.9 Any temporary supplement to the salary scale for the grade for taking on additional duties or responsibilities must be approved in accordance with the council's agreed policy relating to honorarium payments.
- 1.10 From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate.

## **2. Chief Officer Remuneration**

- 2.1 The Act defines chief officers as the following (the post titles in brackets identify the relevant posts within the council's senior management structure):
- The Head of the Paid Service (the Chief Executive);
  - The Monitoring Officer (the Director of Law and Governance);
  - A statutory chief officer (the Executive Director of Education and Children's Services, the Executive Director of Adult Services, the Executive Director Resources<sup>1</sup>, and the Director of Public Health, Wellbeing and Communities).
  - A non-statutory chief officer (the Executive Director of Growth, Environment, Transport and Health, and any other postholder reporting directly to the Chief Executive or a statutory chief officer);
  - A deputy chief officer (all other director grade posts, and any other postholder reporting directly to a non-statutory chief officer).
- 2.2 The terms and conditions of employment applicable to officers on director grades and above are as determined by the NJC for Local Government Services ('Green Book') as amended, supplemented or superseded by decisions on conditions of service made by the council from time to time. This also applies to the Chief Executive with the exception of an additional provision relating to remuneration in relation to acting as returning officer (see below) and a time limited restriction on re-employment.

---

<sup>1</sup> The Chief Financial Officer (s.151 Officer) statutory role sits within the responsibilities of the Executive Director Resources post, but Section 9.5 of the council's constitution has been waived to allow this to form part of the responsibilities of the Chief Executive until a permanent appointment to the role of Chief Financial Officer (s.151 Officer) is confirmed.

- 2.3 The council's pay and grading structure is as approved by Full Council. The grade profile/job description of each chief officer post has been objectively evaluated using a recognised job evaluation scheme (the Hay Group Job Evaluation Scheme). The evaluated score of the grade profile/job description will determine the grading level paid within the Lancashire Pay Spine. Salary packages take account of such factors as the requirements of the job, the relative size of the organisation, local and national market rates and the relationship with other posts within the grading structure.
- 2.4 Details of chief officers' basic salaries are set out below (salaries are as applicable at 1 April 2024, as a national pay agreement for 2025-26 for Local Government Services has not yet been reached). A structure chart identifying all posts covered by the statutory definition of chief officer posts is provided at Annex 4.

### **Chief Executive**

The current basic salary package of the post of Chief Executive is £236,960 per annum, a single, spot salary (SCP 90).

The Chief Executive also acts as Returning Officer for all county council elections for which an additional allowance is payable in relation to the overall supervision and ultimate responsibility for the conduct of council elections.

The fee payable is calculated in accordance with a formula approved by Full Council, currently 15% of the total fees payable to Deputy Returning Officers employed by district councils (which are based on a set amount for each elected councillor). Therefore the Returning Officer's fee is currently £86.10 per elected councillor. In a contested election, the council has 84 elected members. Elections take place on a 4 year cycle although by-elections may take place at other times.

### **Executive Directors**

The current basic salary package for posts designated as Executive Director fall within a range of five incremental points between £142,506 (SCP 85) rising to a maximum of £154,696 (SCP 89).

The post of Executive Director of Education and Children's Services attracts a market supplement of £17,632 per annum, which is paid in addition to the salary for an Executive Director graded post.

The post of Executive Director Resources attracts a market supplement of £12,560 per annum, which is paid in addition to the salary for an Executive Director graded post. This post is currently vacant.

### **Director Grades**

The current basic salary package of posts within the director grades fall within a range of three levels each comprising of five incremental points as set out below:



- Director Grade 1 (D1) - £94,312 (SCP 70) rising to £103,322 (SCP 74)
- Director Grade 2 (D2) - £105,326 (SCP 75) rising to £114,339 (SCP 79)
- Director Grade 3 (D3) - £126,104 (SCP 80) rising to £137,918 (SCP 84)

The post of Director of Investment attracts a market supplement of £26,688 per annum, which is paid in addition to the salary for a Director Grade 3 (D3) post.

The post of Director of People attracts a market supplement of £7,789 per annum, which is paid in addition to the salary for a Director Grade 2 (D2) post.

The post of Director of Strategy and Transformation attracts a market supplement of £13,479 per annum, which is paid in addition to the salary for a Director Grade 2 (D2) post.

### **Officers Reporting Direct to the Chief Executive, Statutory and Non-statutory Chief Officers**

There are currently a number of officers at head of service level who meet the statutory definition of non-statutory chief officer, or deputy chief officer, but who are not employed on director grades or chief officer terms and conditions.

2.5 Progression through the grade is by annual increment, which normally happens on 1 April each year.

2.6 Salary levels are increased in accordance with any nationally agreed pay settlement negotiated through the NJC for Local Government Services.

#### **2.7 Other Remuneration Elements**

2.7.1 In addition to basic salary, all chief officer posts are entitled to:

- A lease car. The current maximum contribution by the council, based on the annual rental payable for any vehicle, is £6,000 (£6,500 for the Chief Executive); or,
- As an alternative to a lease car, or where engaged on a contract for less than three years, a chief officer may opt to receive a cash equivalent sum of £5,300 per annum (as at 1 April 2025) (this sum is subject to annual review);
- The council operates a policy of reimbursing the membership fees incurred by a chief officer in relation to membership of a professional body;
- Official business mileage undertaken by chief officers is reimbursed at the prevailing advisory rate set by HMRC in relation to company cars. This rate is calculated on the basis that it does not include any taxable profit and no national insurance contribution liability as the rate is intended to reflect actual fuel costs.



- Other allowances and expenses that chief officers may claim are as set out within the list provided at Annex 3 (Allowances and Expenses). The allowances and expenses that may be claimed are as applicable to other employees of the council.
- Chief officers are not permitted to claim any payable enhancements as documented at Annex 2 (for example, planned overtime payments or enhancements for weekend working).

2.7.2 To meet specific operational requirements it may be necessary in exceptional circumstances for an individual to temporarily take on additional duties or responsibilities. Where this is necessary and justified a temporary supplement to the salary scale for the grade must be approved in accordance with the council's agreed policy relating to honorarium payments.

## 2.8 Performance Related Pay/Bonus Scheme

With the exception of progression through the incremental scale of the relevant grade, the level of remuneration is not variable or dependent upon the achievement of defined targets.

The council does not operate a performance related pay scheme in relation to its chief officers nor does it pay bonuses or any other cash incentive.

## 2.9 Recruitment of Chief Officers

2.9.1 The council has delegated the appointment and dismissal of the Chief Executive (Head of the Paid Service), Executive Directors, the Monitoring Officer and the Chief Financial Officer (s.151 Officer), collectively referred to as 'senior officers', to the Employment Committee. The committee is also responsible for the appointment of Directors who hold the statutory responsibilities for Children's Services (the Executive Director of Education and Children's Services), Adult Services (the Executive Director of Adult Services) and Public Health (the Director of Public Health, Wellbeing and Communities).

2.9.2 When recruiting to all chief officer posts the council is required to comply with the statutory requirement that no appointment or dismissal (including dismissal by reason of redundancy) may proceed until all Cabinet Members have been notified of the proposed appointment or dismissal to allow them the opportunity to object. Where the committee is appointing or dismissing the Head of the Paid Service, the Monitoring Officer or the Chief Financial Officer, the Full Council must also approve the appointment or dismissal before an offer of appointment is made or notice of dismissal is given.

2.9.3 Remuneration on appointment is determined by the committee at a scale point within the evaluated grade for the post, having regard to the qualifications and experience of the successful candidate. The committee has



further discretion to agree the payment of an additional market supplement, where appropriate.

- 2.9.4 Relocation allowances paid to chief officers are in accordance with the council's relocation allowances scheme, which applies to permanent employees (and fixed term appointments of two years or more) who are appointed as a result of external advertisement, and who are obliged to relocate their place of residence as a direct result of taking up their initial appointment with the council.

The maximum amount payable under the relocation scheme is £10,177 net of VAT (as at 1 April 2025) plus an additional discretionary element of £2,000 is payable in exceptional circumstances. The Employment Committee has further discretion to agree to relocation allowances outside the provisions of the relocation scheme where they consider this to be reasonable and appropriate.

- 2.9.5 Where the council is unable to recruit chief officers, or there is a need for interim support to provide cover for a substantive chief officer post, the council will, where necessary, consider engaging individuals under a 'contract for service'. These will be sourced through an appropriate procurement process ensuring that the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. In making such assessments it should be noted that in respect of such engagements the council is not required to make either pension or national insurance contributions for such individuals. The posts of Executive Director of Adult Services and Director of Finance and Commerce are being covered by interims. If an interim worker uses an intermediary personal service company the council is responsible for assessing their tax and national insurance liability under the IR35 rules, alongside deducting and paying the correct tax.

## 2.10 Payments on Termination of Employment

- 2.10.1 The council's policies in relation to redundancy payments and early retirement are set out respectively within its employer discretions policy, redundancy payments scheme, early retirement and business efficiency (early retirement) policies. These policies are subject to review in light of possible future reforms to exit payments. The council's policy in relation to payments on termination is as summarised below:

Redundancy payments, for both voluntary and compulsory redundancy, are based upon the statutory redundancy payments scale. Under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the council does not apply its discretion under Regulation 5 to base any redundancy payments on an employee's actual week's pay where this exceeds the statutory week's pay limit, nor does it apply its discretion under Regulation 6 to award lump sum compensation over and above that which is set out under the statutory redundancy payments scale. A week's pay does not include other payments





(unless these are deemed to be contractual) nor does it include employer pension contributions.

Under Regulation 31 of the Local Government Pension Scheme Regulations 2013, the council may award additional pension of not more than £8,903 a year (as at 1 April 2025) in exceptional and justifiable circumstances.

2.10.2 The council does not operate a policy of making any specific or general payment to its chief officers on their ceasing to hold office or to be employed by the council but it may, where appropriate, agree to waive or pay contractual notice.

2.10.3 Any other forms of severance payment falling outside these provisions must be authorised by or on behalf of the Full Council.

### 2.11 Tax Avoidance Measures

All chief officers are remunerated via monthly salary payments. Appropriate tax and national insurance deductions are made in accordance with HMRC regulations and there are no arrangements in place for the purpose of minimising tax payments.

## 3. **Lowest Paid Employees**

3.1 The lowest paid persons employed under a contract of employment with the council are employed on full time equivalent (37 hours) salaries in accordance with the minimum spinal column point currently in use within the council's grading structure (the Lancashire Pay Spine).

3.2 With effect from 1 April 2014 the council became a Foundation Living Wage employer. From 1 April 2025 all employees, with the exception of apprentices, will be paid a minimum of £12.60 per hour, which is the equivalent of £24,310 per annum. (This excludes staff in schools, as the decision as to whether to adopt the Foundation Living Wage sits with the individual Governing Body of each school). The council has committed to adjusting its Foundation Living Wage rate within six months of the national rate being updated, subject to Full Council approval.

3.3 As at 1 April 2025, the lowest pay level is an apprentice rate of £23,557 per annum. This applies to entry level apprentice posts and will be increased annually in line with the government set National Living Wage.

## 4. **The relationship between the remuneration of Chief Officers and those employees who are not Chief Officers**

4.1 The relationship between the rate of pay for the lowest paid and chief officers is determined by the job evaluation process used for establishing the grading of posts and grade profiles/job descriptions as set out earlier in this policy statement.



- 4.2 Local authorities are recommended to publish the pay multiple between the highest paid employee and the median average earnings across the organisation. The current pay levels within the council define the multiple between the average full time equivalent salary (excluding chief officer posts) and the Chief Executive as being:

Median average 1:9.03 (figures based upon 2024 median average FTE salary of £26,835 and Chief Executive salary of £236,960 plus the £5,300 lease car cash equivalent sum).

- 4.3 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.

In addition, upon the annual review of this statement, the council will also monitor any changes in the relevant 'pay multiples' and benchmark against other comparable local authorities.

The council's policy aim is for the multiple between the median salary and that of the highest paid officer to not exceed 1:16 (currently 1:9.03 based on 2024 salary data).

## 5. **Accountability and Decision Making**

The Local Authorities (Functions and Responsibilities) (England) Regulations 2000 prescribe certain functions that may not be exercised by a local authority's executive (Cabinet or Cabinet Member) and includes the power to appoint staff and to determine the terms and conditions on which they hold office, including procedures for their dismissal. These functions must therefore be exercised by the Full Council or delegated by the Full Council to a committee or officer.

The Local Authorities (Standing Orders) (England) Regulations 2001 and Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 provide that the functions of dismissal of, and taking disciplinary action against, a member of staff must be discharged by the Head of the Paid Service (the Chief Executive) or an officer nominated by him/her. However, this provision does not apply to the posts identified in paragraph 2.1 above (chief officers) and the council's constitution currently provides that these functions in relation to the Chief Executive and some other senior posts are discharged on behalf of the Full Council by the Employment Committee (subject to the requirements set out in paragraph 2.9.1 and 2.9.2 above).

The Employment Committee was established by Full Council to discharge all functions in relation to the terms and conditions of employment of all staff, including chief officers.

Section 42 of the Localism Act 2011 provides that the function of approving an annual pay policy statement may not be delegated to a committee, therefore Full Council approval is required.



## **6. Re-employment / Re-engagement of former Chief Officers**

- 6.1 The council in its role as administrator of the Lancashire Pension Fund has adopted a policy for scheme employers participating in the Lancashire Pension Fund regarding re-employment within local government or by an employer who offers membership of the Local Government Pension Scheme (LGPS). Under the policy only members in receipt of ill health pensions will be subject to abatement where, accounting for the effect of index linking, the aggregate of the pension and the earnings in the new employment exceed the rate of pay on leaving the first employment. However, any benefits built up from 1 April 2014 within the LGPS are unaffected by the effect of any re-employment.

The benefits are adjusted where the aggregate of the pension and the earnings in the new employment exceed the rate of pay on leaving the first employment.

- 6.2 In addition to the policy highlighted above, re-employed pensioners who have previously retired on redundancy or efficiency grounds before October 2006 and been awarded compensatory added years, are also subject to abatement. This abatement applies only to the benefits which are payable in relation to the added years awarded.

There is no discretion for the council as administrator of the Lancashire Pension Fund on whether or not they apply this particular abatement in respect of benefits payable as a result of the previous award of compensatory added years.

- 6.3 It is a condition of the council's redundancy procedure that employees wishing to apply for voluntary redundancy must agree in writing that they will not apply for future employment with the council for a period of three years following the date of the termination of their former employment.
- 6.4 The council will not re-engage as a chief officer under a contract for services any former employee of the council who, on ceasing employment with the council, was in receipt of a severance payment, a redundancy payment or a pension from the council for a period of three years following the date of the termination of their former employment.

## **7. Pension Contributions**

- 7.1 Where employees become members of the Local Government Pension Scheme, the council is required to make a contribution to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The employer rate of contribution is set by Actuaries advising the Lancashire Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The employer contribution rate effective from 1 April 2023 (set at 31 March 2023) is 16.3% and this rate is applicable for the full valuation period up to 31 March



2026. Although this is the certified rate, the council has exercised an option to pay these contributions in advance for non-school employees as a lump sum payment (there are no deficit payments for this valuation period). Where contributions have been paid in advance, a balancing payment may need to be paid to reflect the actual pensionable pay over the period by 30 April (or another date specified) each year.

7.2 The employee contribution rates for members of the Local Government Pension Scheme are reviewed on 1 April each year. The rates as effective from 1 April 2025 are as set out below:

<b>Actual pensionable pay</b>	<b>Employee contribution rate</b>
Up to £17,800	5.5%
£17,801 to £28,000	5.8%
£28,001 to £45,600	6.5%
£45,601 to £57,700	6.8%
£57,701 to £81,000	8.5%
£81,001 to £114,800	9.9%
£114,801 to £135,300	10.5%
£135,301 to £203,000	11.4%
£203,001 or more	12.5%

**Teachers' Pension Scheme (applicable to those employees whose pay and conditions of service are determined by the Joint Negotiating Committee for Youth and Community Workers) – rates effective from 1 April 2025**

<b>Annual salary rate</b>	<b>Employee contribution rate</b>
Up to £34,872.99	7.4%
£34,873 to £46,943.99	8.9%
£46,944 to £55,660.99	9.9%
£55,661 to £73,768.99	10.5%
£73,769 to £100,590.99	11.6%
£100,591 and above	12%

The current employer contribution rate, effective from 1 April 2025, is 28.68% of contributory pay (this includes the 0.08% administration levy).

**NHS Pension Scheme (applicable to those employees who are able to retain membership of the NHS Pension Scheme) – rates from 1 April 2025**

<b>Pensionable pay range</b>	<b>Contribution rates from 1 April 2025 (based on actual annual pensionable pay)</b>
Up to £13,259	5.2%
£13,260 to £27,288	6.5%



£27,289 to £33,247	8.3%
£33,248 to £49,913	9.8%
£49,914 to £63,994	10.7%
£63,995 and above	12.5%

The current employer contribution rate is 23.7% (23.78% inclusive of the administrative charge), though employers in the scheme have continued to pay 14.38% under a transitional arrangement. The transitional arrangement that has operated since 2019/20 for employer contributions will continue in 2025/26.

