

COUNCIL, 22 OCTOBER 2014

Report of the Leader of the Council

Employment of the Chief Executive

This report seeks members' approval to agree a reduction in hours from the Chief Executive with effect from December 2014.

The Chief Executive indicated that she wished to retire on her 61st birthday which is in November 2014. However following discussions with the Leader, the Chief Executive agreed to remain in post to ensure the stability of the Council during a significant period of change and transformation. However she would wish to do so on reduced hours.

Under these proposals, the Chief Executive's pay would be reduced on a pro-rata basis to reflect a minimum three-day working week - even where her actual working week was longer. In addition, Cheryl Coppell wishes to take a further 10 per cent voluntary reduction in her salary, in recognition of the current pressures on the organisation and its staff.

The Chief Executive would also request the release of her personally-accrued pension, in line with the pension regulations.

RECOMMENDATION

It is recommended that the Council:

1. Agrees to the Chief Executive reducing her hours flexibly to suit the Council's needs by at least one day and no more than two days a week, with her pro-rata salary set at the equivalent of a three-day working week.
2. Waives the Staff Employment Procedure Rules, to facilitate the formal resignation and re-appointment on reduced terms of the Chief Executive.
3. Authorise the Leader of the Council to review and change the working hours once implemented, as and when required.
4. Notes and accepts the Chief Executive's voluntary 10 per cent reduction in salary, over and above the pro-rata adjustment.
5. Authorise the Leader of the Council, after consultation with the Director of Resources and the Director of Human Resources and Organisational Development, authority to finalise any further actions and agreements necessary to implement the Council decision.

6. Authorise the Monitoring Officer to amend the Constitution if necessary to reflect that the Group Directors will be required to cover for the Chief Executive in her absence.

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REPORT DETAIL

1. Cheryl Coppell came to this Council in March 2007 from Slough Borough Council, where she was Chief Executive. She has worked mainly in local government since 1975 with the majority of her pension contributions having been met by her previous Authorities.
2. Havering Council faces a significant convergence of challenges and opportunities over the next three to four years with a significant budget strategy to be implemented. This report outlines the option to retain the current Chief Executive, Mrs Coppell, to deliver the Council's agenda over the period of the Council's medium term financial strategy. The objective is to place the Council in the best position to retain a strong leadership team and consider senior workforce planning at this critical time.
3. Mrs Coppell indicated that she wished to retire. However, following discussions with the Leader she has agreed to consider reducing her working hours rather than retiring immediately.
4. In cases involving the Chief Executive and Chief Officers the Council's policy is that the appropriate Member committee, (in this case Full Council), determines the terms and conditions of the contract of the Chief Executive. Full Council should consider carefully the detailed merits of the individual case, taking into account the Council's financial position, the cost reduction set out in the report and the professional contribution of the Chief Executive.
5. If agreed, the part-time contract and release of pension involves no cost to the Council and will deliver an on-going saving at a time when the Council needs to reduce its overall costs. The Director of Resources has discussed this proposal separately with the Group Leaders.
6. The proposal would enable Mrs Coppell to continue to be employed, on a pro-rata salary set at three days per week. Whilst Mrs Coppell would

ideally like to reduce her hours to three days a week, she recognises that this may not be possible at all times. In particular, if the Council agrees the new reduced management structure (set out in a separate agenda item), Mrs Coppell would work for four days a week, without additional remuneration, while this was bedding in. She would also work flexibly to undertake more days at particularly busy times in order to ensure sufficient management is available – again without additional remuneration. It is proposed that the Leader of the Council agrees detailed working patterns with Mrs Coppell to ensure sufficient management cover is available.

7. In addition Mrs Coppell has voluntarily proposed a 10 per cent reduction in her pro rata pay because she feels this is appropriate and fair, given the financial challenges the Council is under. This reduced level of pay would be personal to Mrs Coppell and would not be taken as the starting point for the Chief Executive's salary level, as and when it becomes necessary to advertise for a replacement (though it should be noted that all salaries, including senior salaries, are currently under review as part of the terms and conditions saving proposal within the budget strategy). These arrangements would also allow Mrs Coppell to receive her pension.
8. Mrs Coppell has made clear she will continue to cover all key aspects of the Chief Executive's role. Separately, Mrs Coppell will continue to discharge her role as the Council's Returning Officer for relevant elections, devoting the same hours and commitment to this role as she does presently. The relevant duties and fees are not affected by this proposal.
9. This change, on the terms set out above, will deliver a potential saving to the Council. The exact level of saving will depend on the final working hours agreed, however, it will deliver approximately £90,000 pa with on-costs, at a time of unprecedented cuts across the public sector. In addition Mrs Coppell's voluntary 10 per cent pay cut would deliver an additional £10,000 pa approximately. Along with pension contributions referred to later in the report, this will give a total saving of approximately £120,000 pa.
10. There are a number of other examples nationally of Chief Executives successfully discharging the role when working in a non-full-time capacity. These range from shared Chief Executive arrangements across two councils, to arrangements similar to the one being proposed for Havering. For example the Chief Executive at Lewisham Council moved to 3 days a week from June 2011. The Chief Executive of Redbridge Council has also reduced his hours to part-time. The Chief Executives of Basildon Borough Council and Chelmsford Borough Council also moved over to a three-day working week.
11. Unlike most other senior part time arrangements which have been agreed by other councils, Mrs Coppell is a deferred member of the pension scheme and the pension regulations do not allow for deferred

members to take flexible retirement - the most easily-arranged process for senior managers who have opted to work part-time. In order to achieve the part-time hours and release of pension in this instance, Mrs Coppell will need to effectively leave the Council's employment for up to one week and then be re-engaged on a part-time basis.

12. In Mrs Coppell's case, no contribution would need to be made to the pension fund to enable release of her pension from December 2014. Mrs Coppell will not re-join the pension scheme, should the reduction in hours commence. The employer's fte costs to the pension scheme for somebody on the Chief Executive salary point would equate to approximately £21,000 thus saving employer's costs whilst she remains part time and in post.
13. Although Mrs Coppell would still retain overall responsibility and accountability she would be supported by two experienced group directors.
14. The only other viable alternative if Mrs Coppell is unable to change from a full-time to a part-time basis with release of her accrued pension, is that Mrs Coppell retires and the Council immediately seeks to recruit a new full-time Chief Executive. Current adverts for the role of Chief Executive and data from London Councils, indicate that Havering's Chief Executive is currently paid in the bottom quartile.
15. There is a need to ensure stability at senior management level and elsewhere on this agenda the Chief Executive has presented a further paper to Full Council detailing her recommendations for the senior management structure of the Council. In order for Members to have taken account of all relevant considerations in relation to this report they should have taken note of that report prior to making a determination in respect of this report.

IMPLICATIONS AND RISKS

Financial implications and risks:

1. This report recommends that the Council agrees to the Chief Executive's request for release of her pension and a reduction in hours from December 2014. This is a critical post for the Authority going forward.
2. The Chief Executive's salary is approximately £163,000. If this report is agreed, the Chief Executive will receive a pro-rata salary of approximately £88,000 pa for 3 days a week, inclusive of a ten percent voluntary reduction in salary. There will be no additional pension costs to the Council and because of the proposed reduction in pay Mrs Coppell is proposing to take, there is an on-going saving of approximately £120,000, as against recruiting to the position full time. The Chief Executive will also receive her pension at no additional cost to

the Council. This saving will help the Council meet its budget reduction targets at a time of unprecedented funding cuts, when senior management costs need to be kept under review. As part of this, Mrs Coppell has stated she proposes to report further tonight on the proposed senior management structure.

3. These adjustments will not affect the substantive Chief Executive post, as there may be a time in the future when the Council wishes to recruit to a full time position again.

Legal implications and risks:

1. The purpose of this report is to facilitate a form of flexible retirement for the Chief Executive by enabling her to reduce her working week from 5 days per week to 3 and to gain access to her pension, to achieve a saving for the Council and to ensure the continuity of high level management, leadership and stability through a significant period of change and transformation.
2. The Local Government Pension Scheme allows flexible retirement of this nature to scheme members and The Council's scheme requires an application to the Pensions Panel. Determination of the application would be mostly based on the strain on the pension fund rather than on other considerations, so whilst discretionary, in practice approval is very much a matter of course in the vast majority of cases. Once granted the applicant remains an employee on the reduced terms.
3. However as the Chief Executive deferred her pension some time ago, she is not a current member of the Local Government Pension Scheme and consequently unable to make a flexible retirement application.
4. This report proposes a means whereby a similar outcome may be achieved. In legal terms in order to gain access to her pension the Chief Executive will need to resign her position and in order to undertake her job on reduced hours and terms she will need to be appointed afresh. A new appointment at this level has a process specified in the Staff Employment Procedure Rules. However, the current unique situation is not envisaged in that process which does not make provision for what is a continuum. A wholly new appointment is not sought at this time. The Council may wish to determine to waive the Staff Employment Procedure Rules in this instance. Whilst departing from the Procedure Rules may give rise to a higher risk of challenge, by setting out its purpose in detail the Council will be able to demonstrate that it has acted reasonably in all the circumstances of the case. Moreover the proposals comply with Section 7 of the Local Government and Housing Act 1989 which requires that every appointment of a person to paid office or employment shall be on merit. The Chief Executive has unique credentials to fulfil that criterion.

Human Resources implications and risks:

1. The Chief Executive is entitled to retire with immediate effect giving only her contractual notice. The report concludes that the only sustainable and viable option should the Council wish to retain the services of the current Chief Executive is, following the request of the Leader, to accept her reduction to part time hours and release of her pension as accrued to date. There will be no additional pension due as a result of the reduction to part hours. Any release of her pension will be in line with the Pension Panel, as delegated by Pensions Committee. This approach allows the Council to take an evolutionary approach, within the medium term financial framework to ensure delivery of the transformation and efficiency programme, the managed transfer of intellectual property and developing people and leadership whilst continuing to be a forward looking and ambitious council, best placed to respond to the wider public sector reform.
2. The Chief Executive will require a new contract of employment to facilitate the move to part time working.
3. Mrs Coppell has evidenced her strong leadership and the Council has already had a number of other staff reduce their hours and release their pension in line with the Pension Regulations and Pension Committee adopted Discretions Policy Statement decisions.

Equalities implications and risks:

1. Members' attention is drawn to the effect of the Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011 and the Equality Act 2010 which abolished the national retirement age.
2. In line with all employees, the Chief Executive can opt to retire with immediate effect and claim her accrued pension.
3. Reducing hours and remaining in employment is a very useful and cost effective mechanism for retaining experienced employees who might otherwise retire early to the detriment of the Council's business.
4. As this report relates to one individual's personal circumstances there is no requirement to produce an Equality Impact Assessment