

 <p><b>h&amp;f</b> the low tax borough</p>	<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p>Strategic Leadership Team – 25 January 2017</p> <p>Political Cabinet - 6 February 2017</p> <p><b>COUNCIL - 22 February 2017</b></p>
<p><b>TITLE OF REPORT- Pay policy of the London Borough of Hammersmith and Fulham 2017/18</b></p>	
<p><b>Report of the Bi-borough Director for Human Resources</b></p>	
<p><b>Open Report: Yes</b></p>	
<p><b>Classification - For Decision</b></p> <p><b>Key Decision: No</b></p>	
<p><b>Wards Affected:</b> (Give the Wards directly affected. If none then state “None”; if all then state “All”.) None</p>	
<p><b>Accountable Executive Director:</b> Nigel Pallace, Chief Executive</p>	
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**1. EXECUTIVE SUMMARY**

The Council is required to prepare a pay policy statement for each financial year.

**2. RECOMMENDATIONS**

- 2.1 That Council is recommended to approve the pay policy statement for 2017/18 as set out in the attached document.
- 2.2 That Council endorses the pay schemes attached as Appendices 1, 2 and 3 to the Pay Policy Statement.

**3 REASONS FOR DECISION**

- 3.1 A decision is required in order for the council to approve the pay policy statement and its appendices and for the policy to be published on the council’s website, as required by the Localism Act 2011.

## **4 INTRODUCTION AND BACKGROUND**

- 4.1 Under Section 38(1) of the Localism Act 2011, the council is required to prepare a pay policy statement for each financial year. This pay policy statement must be approved by Council. The provisions of the Act do not apply to local authority schools.
- 4.2 Approved pay policy statements must be published on the council's website as soon as reasonably practicable after being approved. The Act also requires that the council includes in its pay policy statement, its approach to the publication of and access to information relating to the remuneration of chief officers. Remuneration includes salary or payment for a contract for services, expenses, bonuses, and performance related pay as well as severance payments. The definition of chief officers includes the head of paid service, statutory chief officers, non-statutory chief officers, and those who report to them.
- 4.3 Section 38(1) of the Act also requires the council to set out its policy on remuneration for its highest paid staff alongside its policies towards its lowest paid employees. In particular, it requires the council to explain what it thinks the relationship should be between the remuneration of its chief officers and other employees and to set out policy on the lowest paid (outlined in the paragraph on 'Definitions' within the pay policy). The council must include its current policy towards maintaining or reaching a specific pay multiple, within its broader policy on how pay and reward should be fairly dispersed across its workforce.
- 4.4 So far as other elements of senior remuneration are concerned, including bonuses, performance related pay (PRP), severance payments and the payment of fees for election duties, the council must also make it clear what approach it takes to the setting and publishing of these.
- 4.5 The pay policy statement must also deal with a number of aspects of re-employment of staff. The council must explain its policy in relation to the payment of salary and pension to the same individual. It must also set out its policy in relation to the re-employment of chief officers who have retired and may be re-employed on a contract for services.
- 4.6 The council must in setting pay policy statements, have regard to the guidance issued by the Secretary of State for Communities and Local Government. This includes the Local Government Transparency Code 2015 issued pursuant to section 2 of the Local Government, Planning and Land Act 1980 and guidance under section 40 of the Localism Act of February 2012 and February 2013 which requires relevant authorities to prepare pay policy statements. Due regard has been had to the guidance in the preparation of this policy.
- 4.7 The pay policy statement must be approved by a resolution of Council. Once in force, it must be complied with although it may be amended by Council during the financial year. It must always be published on the

council's website as soon as reasonably practicable after approval or amendment.

## **5 PROPOSAL AND ISSUES**

5.1 The Government guidance for local authorities on the preparation of a pay policy statement recommends the calculation and publication of an authority's pay multiple. That is the relationship between the median earnings figure in the organisation and the remuneration of its highest paid officer.

5.2 The median is defined as that earnings figure at which there are an equal number of officers' earnings figures above and below it. The highest paid officer in H&F is the Chief Executive.

6 The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At the start of 2017 this multiple is 5.5.

## **7 OPTIONS AND ANALYSIS OF OPTIONS**

Not applicable

## **8 CONSULTATION**

None

## **9 EQUALITY IMPLICATIONS**

9.1 As mentioned, this report has been produced so that the Council approves the pay policy statement. There are no actions that impact on equalities and as a result, the report's equalities impact assessment (EIA) is rated as low. Therefore, an EIA has not been completed.

## **10 LEGAL IMPLICATIONS**

10.1 The statutory requirements set out in Chapter 8 of Part 1 of the Localism Act 2011 (Sections 38-43) are summarised in the report and the pay policy statement. The pay policy statement complies with the statutory requirements.

10.2 Implications verified/completed by LeVerne Parker, Chief Solicitor (Planning and Property). Tel: 0207 361 2180

## **11 FINANCIAL AND RESOURCES IMPLICATIONS**

11.1 This report sets out the status quo on pay within the council, therefore there are no additional financial implications arising from the report as resultant costs can be contained within existing budgets.

11.2 Implications verified/completed by Hitesh Jolapara, Strategic Director for Corporate Financial Services.

## 12 RISK MANAGEMENT

None

## 13 PROCUREMENT AND IT STRATEGY IMPLICATIONS

None

### LOCAL GOVERNMENT ACT 2000

#### LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Localism Act 2011	Debbie Morris, Shared Director for Human Resources (LBHF & RBKC)	Hammersmith Town Hall
2.	Openness and Accountability in Local Pay – Guidance under section 40 of the Localism Act from Department for Communities and Local Government (DCLG)	Tel: 020 8753 3068	
3.	The Local Government Transparency Code 2015 (DCLG June 2015)		
4.	Council Pension Policy		
5.	Council guidance on performance related pay		

#### LIST OF APPENDICES:

- Appendix 1 - NJC Salary Scales and SMG Pay Ranges
- Appendix 2 - Senior Manager Performance Scheme (SMG 3)
- Appendix 3 - Senior Manager Performance Scheme (SMG 1 and 2)
- Appendix 4 - Statement of Local Employer Pension Policy April 2014

## **PAY POLICY STATEMENT**

### **London Borough of Hammersmith and Fulham (H&F)**

#### **1. Fairness and Transparency**

H&F is committed to paying its staff on a fair basis to reflect the work that they do. At the same time, it recognises that there is public interest in both the remuneration of its staff and the way in which that remuneration is set. It is therefore publishing this statement to ensure transparency and fulfil its obligations under section 38 (1) of the Localism Act 2011.

#### **2. Vision and Behaviours**

- 2.1 The council's vision is to be the best council in the country. In order to ensure leadership and management of the highest standards, managers have a document that sets out the behaviours which the council requires employees to demonstrate.
- 2.2 The vision, desired behaviours and guide to good management are used during recruitment to vacant posts, discussions on learning and development needs, performance appraisal and the determination of performance related pay (PRP).
- 2.3 The council recognises that as an organisation which expects high standards from its staff, it should reward them accordingly, both to recruit the best and to continue to motivate them.

#### **3. Pay Design**

- 3.1 Most staff salaries are set by national pay bargaining through the Greater London Provincial Council (GLPC). Progression through the range is by increments and is related to satisfactory service. All staff have an annual performance appraisal.
- 3.2 In addition, the most senior staff at Chief Officer level, have separate, locally determined salary ranges, which include an element of PRP. Each year subject to an assessment of overall performance, these staff can receive a performance related consolidated base salary increase and thus move up through their pay range until the maximum of their pay range is reached. At this point, any balance in the recommended pay increase is paid as a one-off, non-consolidated payment. In addition, achievement of targets set can result in a further one off non-consolidated payment. There is the potential to earn up to 10% of existing salary based on performance against targets. However, in exceptional circumstances a higher award can be paid, where sustained exceptional performance can be evidenced.
- 3.3 The performance related pay (PRP) schemes for Chief Officers was reviewed in the first half of 2016 and revised arrangements were

introduced in time for the 2016/17 appraisal year. Individual performance is assessed in two ways:

- against the Council's values and behaviours, including the new senior manager behavioural indicators that were introduced as part of the refresh of the PRP arrangements
- on the basis of an overall assessment of achievements against targets, the numbers on which there are no longer any caps.

3.4 The pay ranges for all staff and the senior manager performance schemes are set out in the attached Appendices 1, 2 and 3.

3.5 The Chief Executive implemented a new corporate structure in 2015 which deleted the Executive Director tier (grade SMG1) in all departments other than the two large departments shared with RBKC and Westminster City Council (Adult Social Care and Children's Services). To avoid the Chief Executive having to directly manage all other directors, Lead directors (to whom other service directors report) have been selected in Housing & Regeneration and Environmental Services, while some corporate services directors now report to the Strategic Finance Director. A smaller core Strategic Leadership Team (SLT) of nine was established in 2016, comprising the Chief Executive, the two shared Executive Directors, the Strategic Finance Director, two Lead directors and three corporate services directors. Individual pay arrangements have been made with SLT directors (who, like all directors, were graded SMG2). The remuneration of the SLT directors consequently sits between Directors' scale SMG2 and the Executive Directors' scale SMG1.

3.6 Following a review of directors' pay arrangements, a new pay zone was introduced to rationalise the ad-hoc nature of the current arrangements, through the removal of existing pay additions/supplements and their consolidation into basic salary. No change to the remuneration of any individuals has resulted, but an additional pay zone has been created for Directors comprising the Council's Strategic Leadership Team (SLT). This new pay zone bridges the gap between SMG2 and SMG1, being a lower SMG1 zone with a lower ceiling than the (renamed) upper SMG zone for Executive Directors. This has enabled all SLT directors to move into this new pay band, replacing the ad hoc individual pay arrangements previously in place. Only the Strategic Finance Director remains outside this new pay band, reflecting the market conditions for statutory S151 officers among London boroughs. As a consequence, the new SLT now comprises capable officers on, for the most part, substantially lower salaries than the previous Business Board of Executive Directors.

3.7 There are a number of additional performance related pay schemes for certain other groups of staff that pay up to 10% of salary. These groups are:

- Civil Enforcement

- Commercial Waste
- Corporate Anti-Fraud Service
- Development Management
- Pest Control
- Rental Income
- Commercial Director
- Strategic Commissioners and Service Managers in Adult's Commissioning Services

Market supplements have been agreed for Heads of Service in ICT reviewable every two years and for Heads of Service in Adult's Commissioning Services.

- 3.8 The pay ranges for all posts in the council are determined through job evaluation to ensure fairness and equality. In respect of nationally negotiated ranges, this is done through the Greater London Provincial Council Job Evaluation Scheme developed some years ago for all councils in London. In relation to the senior pay ranges for Chief Officers, the scheme devised by Hay management consultants is used.
- 3.9 In addition to these annual salaries, the council can choose to pay extra sums to staff to recognise market pressures or additional work undertaken. These may be pay supplements, acting-up allowances or honoraria. These are most likely to apply to staff below senior management level.
- 3.10 Starting salaries within pay ranges are determined by reference to market rates and an individual's existing salary.
- 3.11 Those officers who have statutory positions in relation to elections i.e. Returning Officer/ Acting Returning Officer and deputies also receive a fee in recognition of these roles. This fee reflects the advisory fee set for each election by the Ministry of Justice. There are also fees paid to staff who carry out the annual canvass of the electoral register and who undertake additional work at the time of the election – poll staff, inspectors, count staff, etc.
- 3.12 The council has a number of shared senior management posts and where these are in place, the remuneration is shared between the parties to the shared service agreement.

#### **4. Other Rewards**

The council tries to adopt best practice and allow for market forces when determining additional benefits for its staff. In addition, it acknowledges that benefits are an important part of a recruitment package. All staff are therefore eligible to receive a range of benefits which the council either provides or has negotiated. Such as interest free travel loan; childcare and bike to work salary sacrifice schemes; training support and

outplacement support including career counselling for staff in jobs that have been made redundant.

## **5. Pension and Severance Payments**

- 5.1 A week's pay for the purpose of calculating a statutory redundancy payment is calculated in accordance with sections 220 to 229 of the Employment Rights Act 1996 and the council exercises discretion to waive the statutory weekly pay limit. Under the provisions of the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations 2006, the actual amount of a week's pay is used. A week's pay is the amount of pay that the employee is entitled to, for working their normal contractual hours and any variable items of pay are averaged over the last 12 weeks ending on the calculation date.
- 5.2 Calculation of a full-time week's pay is subject to a locally agreed minimum, currently £526.50. This is equal to 1.5 x London Living Wage, a local policy which ensures that no employee earns less than £351.00 per week, based on an hourly basic rate of pay of £9.75 effective from 1<sup>st</sup> April 2017.
- 5.3 The number of weeks redundancy is based on age and length of service at leaving and is subject to a statutory limit of 30 week's pay.
- 5.4 Staff are entitled to join the Local Government Pension Scheme (LGPS) and will receive their pension at their normal retirement age, with an additional entitlement to leave with a reduced pension at age 55. Pension payments will be released early in certain circumstances including redundancy and ill health retirements provided the appropriate criteria of the local pension policy are met. There is a separate, published policy on pension payments. This is updated from time to time in line with any changes to pension regulations.
- 5.5 Arising from the auto-enrolment regulations, a change took effect to joining arrangements from 1 April 2013; new starters are enrolled into the LGPS, subject to certain conditions, unless they choose to opt out. Staff who opted out of the LGPS before 1 April 2013 will not be auto-enrolled until 1<sup>st</sup> October 2017 but may opt to join the LGPS at any time.
- 5.6 Under the LGPS, certain staff may request flexible retirement whereby they can retire early and continue to work on a part-time basis or on a reduced salary. The council retains the discretion to agree such arrangements as they are not a right.
- 5.7 The fact that an individual is already receiving a pension under the LGPS regulations does not prevent the council from appointing them. However if an employee is in receipt of a pension from a previous employer that is a member of the LGPS and they are recruited by the council, they must notify their existing pension provider of re-employment, even if they



elect not to join the pension scheme here. It is the existing pension provider's responsibility to review their pension and if necessary make any reduction due to the level of earnings.

5.8 The Government has announced that it proposes to bring in a cap of £95,000 on exit payments for public sector organisations including Local Government. The proposed regulations are made under powers conferred on them by section 153A (1) of the Small Business, Enterprise and Employment Act 2015. However, the Government has confirmed that the cap will not come into effect from 1 October 2016 and instead it issued draft Public Sector Exit Payment Regulations for consultation in July 2016. The proposals have yet to be implemented and are not expected to be so before April 2017, but may be sometime in 2017.

5.9 The core elements of the proposal are to:

- Apply a £95,000 cap on the total value of exit payments to someone leaving employment
- Apply the cap to all forms of voluntary and compulsory exit payments; ex gratia payments and special severance payments; other benefits granted as part of the exit process; employer costs in providing early unreduced access to pension and payments of compensation in lieu of notice and payments relating to cashing up of outstanding entitlements.

5.10 Excluded from the cap are compensation payments in respect of litigation for breach of contract or unfair dismissal, death or injury attributable to the employment as well as serious ill health and ill health retirement.

5.11 The draft regulations grant a power to relax the restriction on payment of exit payments, i.e. to waive the cap. That power can only be exercised by Full Council. It is anticipated that a report will be taken to Full Council seeking a decision to waive the cap where appropriate. However the terms of the waiver are not yet known as the draft regulations in respect of this have not yet been published . There are separate proposals in the Small Business, Enterprise and Employment Act 2016 to recover 'qualifying' public sector exit payments from high earning individuals who will be required to pay back their exit payment if they return to the public sector within 12 months of their departure and earn £80,000 or more a year. However, these proposals have also not yet come into law although the Government says they will be introduced "shortly".

## **6. Publication and Access to Remuneration of Chief Officers and Other Senior Staff**

The council publishes details of remuneration of chief officers in the Annual Statement of Accounts and on the council's website. The council also publishes information about the level of remuneration of other senior

staff on its website. This information is published for all senior staff on annual earnings of £50,000 or more.

## **7. Definitions**

- 7.1 The pay ranges for senior staff reflect the need to recruit and retain good staff. Annual increases for these staff reflect the nationally agreed salary increases.
- 7.2 The Localism Act requires the council to define its lowest paid employees. The Council became an accredited Living Wage Employer in February 2016. Under the terms of the Council's accreditation, this means that no directly employed Council staff will earn less than the London Living Wage. This includes any directly employed interns, or apprentices. Separately, the Council used to also operate a minimum earnings guarantee (MEG) policy. However, with the changes to the NJC pay spine in April 2016 and those planned in April 2017, as consequence of the introduction of the National Living Wage in April 2016, coupled with the Council's accreditation as a Living Wage Employer In February 2016, means that the need for a separate MEG policy will no longer be necessary from 1<sup>st</sup> April 2017, when the hourly rate for the London Living Wage (LLW) will then be higher. The MEG policy served the Council well, as it helped to ensure that earnings of Council employees, particularly manual workers, would not fall below an overall level of weekly earnings, which at the time approximately equated to the Council of Europe's decency threshold.
- 7.3 In addition, the council is required to publish the pay multiple between the highest paid employee and the median salary of the workforce. The current multiple is 5.5. At present, the council deems this multiple to be appropriate and within an acceptable ratio of 10:1. The policy with regard to the pay multiple will be kept under review.
- 7.4 The council has workers on zero hours contracts. This is an employment contract between an employer and a worker, where the employer is not obliged to provide the worker with any minimum, working hours and the worker is not obliged to accept any of the hours that are offered. This is entered into by written, mutual agreement and by understanding. The arrangement is not an exclusive one and people are free to work elsewhere, should they so choose.

## **8 Remuneration Committee**

The council does not have a remuneration committee to advise on pay policy including the setting of senior salaries and the level of Members' allowances.

## **9. Council Role**

- 9.1 Council will agree all proposed salary ranges, including performance related pay and fees methodologies, for staff paid in excess of £100,000.
- 9.2 Severance payments made by the Council will be in accordance with Section 5 of this policy statement and the Statement of Local Employer Pension Policy published separately.