

<p>London Borough of Hammersmith & Fulham</p> <p>FULL COUNCIL</p> <p>27 FEBRUARY 2019</p>		
<p>PAY POLICY OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM 2019/20</p>		
<p>Report of the Cabinet Member for Public Services Reform – Councillor Adam Connell</p>		
<p>Open Report</p>		
<p>Classification: For Decision Key Decision: No</p>		
<p>Wards Affected: None</p>		
<p>Accountable Director: Mark Grimley, Director of Corporate Services</p>		
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1. EXECUTIVE SUMMARY

The Council is required to prepare a pay policy statement for each financial year that sets out the Council's approach to recognising and rewarding its employees in a fair, consistent, and equitable manner.

2. RECOMMENDATIONS

- 2.1 That Council approve the pay policy statement for 2019/20 as set out in the attached document.
- 2.2 That Council endorses the pay schemes published on the [transparency pages of the main Council website](#).

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 Section 38(1) of the Localism Act 2011 requires the Council 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 the 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 is set out in the [Council's published Constitution](#).
- 4.3 Section 38(1) of the Act also requires the Council to set out its policy on remuneration for its highest paid employees 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. 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 employees. 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 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 Hammersmith and Fulham is the Chief Executive.
- 5.3 The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At start of 2018 this ratio was 4.8.
- 5.4 It should be noted that a review of the pay spine and associated spinal column points has been undertaken by the Greater London Provincial Council (GLPC) for implementation from 1 April 2019. This follows a number of years during which the value of the London Living Wage has overtaken a number of the lowest spinal column points and cost of living awards being targeted at the lowest paid employees. Both of these factors have resulted in a congested pay spine at lower grades. The changes to the pay spine will potentially have positive impact on median earnings in the future and affect this multiple when it is reported next year.
- 5.5 During the forthcoming year (2019/20) a review of all Performance Related Pay (PRP) schemes will be completed with a view to removing the existing schemes in place.

6. EQUALITY IMPLICATIONS

- 6.1 It is not anticipated that the Council's pay policy statement will have any negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010. The pay policy incorporates the Council's statutory requirement to publish details of its gender pay gap.
- 6.2 Implications completed by Peter Smith, Head of Policy and Strategy, tel: 020 8753 2206

7.0 LEGAL IMPLICATIONS

- 7.1 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.

7.2 Implications completed by Rhian Davies Assistant Director Legal and Democratic Services

8.0 FINANCIAL IMPLICATIONS

8.1 This report sets out the status quo on pay within the Council, therefore there are no additional financial implications arising from the recommendations as any resultant costs will be contained within existing budgets.

8.2 Implications completed by Danielle Wragg, Finance Business Partner, 0208 753 4287 and verified by Emily Hill, Assistant Director, Corporate Finance, 0208 753 3145

9.0 RISK MANAGEMENT

9.1 None.

9.2 Implications verified/completed by Mike Sloniowski, Risk Manager.

10. IMPLICATIONS FOR BUSINESS

10. None.

10.2 Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 020 7938 8583

11.0 COMMERCIAL IMPLICATIONS

11.1 There are no procurement implications associated with the recommendations contained in this report.

11.2 Implications completed by Joanna Angelides Tel 0208 753 2586 on behalf of Simon Davis, Assistant Director for Contracts and Procurement.

12.0 IT IMPLICATIONS

12.1 There are no IT implications in this report.

12.2 Implications verified/completed by Veronica Barella, Chief Information Officer. Tel 0208 753 2827.

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	Tina Dempsey - Head of People & Talent Strategy	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: 0781 314 6254	
3.	The Local Government Transparency Code 2015 (DCLG June 2015)		
4.	Council Pension Policy		
5.	Council guidance on performance related pay		
6.	NJC Salary Scales and SMG Pay Ranges		
7.	Senior Manager Performance Schemes (SMG 1 to SMG3)		

LIST OF APPENDICES:

Appendix 1 – Statement of Local Employer Pension Policy May 2018

PAY POLICY STATEMENT

London Borough of Hammersmith and Fulham (H&F)

1. Fairness and Transparency.

- 1.1 Hammersmith and Fulham is committed to paying its employees 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 employees 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.
- 1.2 The Council's Chief Executive as Head of Paid Service, is responsible for ensuring the Council meets its duties for appointment on merit, the terms and conditions of employment, compliance with the Council's Standing Orders for the appointment and remuneration of employees and with the requirements set out in the Local Government and Housing Act 1989.

2. Vision and Our People

- 2.1 The Council's vision is to be the best Council in the country with five clear priorities:-
 - Building shared prosperity
 - Doing things with residents not to them
 - Taking Pride in Hammersmith & Fulham
 - Creating a compassionate Council
 - Being ruthlessly financially efficient

Our People Strategy complements Our Vision by setting out who we are and our focus on the employee experience, employee development, coaching, leadership and culture within the organisation.

- 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) and other forms of recognition.
- 2.3 The Council recognises that as an organisation which expects high standards from its employees, it should recognise their contribution accordingly, both to recruit the best and to continue to motivate them.

3. Pay Design

- 3.1 The pay ranges for Council employees reflect the need to recruit and retain good employees.

- 3.2 Employees salaries are set through national pay bargaining. Progression through each individual salary range is by increments and is related to satisfactory service. All Employees have an annual performance appraisal.
- 3.3 Increases to pay scales and ranges will occur through any national pay award. Salaries for Chief Officers will rise in line with any JNC for Chief Officers national pay award. The pay for the Head of Paid Service will be increased in line with the national pay award of the JNC for Local Authority Chief Executives.
- 3.4 The most senior employees at Chief Officer level (SMG 1, 2 and 3 grades) have, locally determined salary ranges, which include an element of PRP for some. Each year, subject to an assessment of overall performance, these employees 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.
- 3.5 Individual performance is assessed in two ways:
- Against the Council's behaviours, including the new senior manager indicators that were that are communicated each year.
 - And on the basis of individual contribution and the achievement of targets and performance outcomes set for the year.
- 3.6 The achievement of targets set can result in a 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.
- 3.7 There are a number of additional performance related pay schemes for certain other groups of employees that pay up to 10% of salary. These groups are:
- Civil Enforcement
 - Commercial Waste
 - Corporate Anti-Fraud Service
 - Development Management
 - Pest Control
 - Rental Income
- 3.8 The pay ranges for all employees and the senior manager performance schemes are set out in the attached Appendices 1, 2 and 3.
- 3.9 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 (Scales 1B to PO10), this is done through the Greater London Provincial Council Job Evaluation Scheme developed some years ago for all Councils in London.

- 3.10 Each Chief Officer role will be graded by matching into SMG pay bands.
- 3.11 The Localism Act requires the Council to define its lowest paid employees.
- 3.12 The Councils' lowest paid worker is defined as those on the lowest spinal column point of the NJC salary scales, which is scale 1B spine point 6 (an annual salary of £20,001 based on our standard working week of 36 hours).
- 3.12 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 employees will earn less than the London Living Wage. This includes any directly employed interns, or apprentices.
- 3.14 Each employee will receive a basic salary as defined by the Council's pay and grading structures commensurate with the level of their duties and responsibilities.
- 3.15 Starting salaries within the evaluated grade for the role are determined by reference to market rates and an individual's existing salary.
- 3.16 In addition to these annual salaries, the Council can choose to pay extra sums to employees to recognise market pressures or additional work undertaken. These may be time limited pay supplements, acting-up allowances or honoraria.
- 3.17 Where market supplements and additional payments for Chief Officers are considered necessary, they will be time limited to a maximum of two years from their commencement. The terms of additional payments (not including relocation expenses) will be agreed by the Director of Corporate Services in consultation with the Cabinet Member for PSR and lead Member, including the application of any Market Factor Supplements.
- 3.18 Extensions beyond two years will also require the approval from the Chief Officer Appointments Committee and will be reported as an exception to the Council's published Pay Policy Statement, in the Statement of Accounts.
- 3.19 As required by the Local Government and Housing Act 1989, the appointment and remuneration of Chief Officers who are Strategic Directors and who report direct to the Head of Paid Service, is determined by the Council Members through the Chief Officer

Appointments Committee, except where there is specific delegation otherwise agreed through Council.

3.20 Arrangements for shared appointments are addressed through Section 113 Agreements (of the Local Government Act 1972).

4. Other Rewards and Benefits

- 4.1 The Council tries to adopt best practice and allow for market forces when determining additional benefits for its employees. In addition, it acknowledges that benefits are an important part of a recruitment package.
- 4.2 All employees are therefore entitled 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 employees in jobs that have been made redundant.
- 4.3 Professional fees and charges will be paid on behalf of statutory officers and deputy statutory officers in respect of their requirement to be registered to practice with the relevant body.
- 4.4 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 employees 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.
- 4.5 Any benefits, gifts or hospitality must be properly authorised and recorded in accordance with the Officer's Code of Conduct.

5. Pension and Severance Payments

- 5.1 Chief Officers will receive their contractual entitlement for termination payments. These entitlements are the same for NJC employees (Green Book). Where the Council is terminating the contract of employment, pay in-lieu of notice (PILON) or paid leave may be granted by the Director of Corporate Services.
- 5.2 Redundancy pay for all employees is calculated based on actual weekly earnings multiplied by the numbers of weeks pay using the statutory formula that takes into account length of service and age. The Council has authority under the provisions of the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations 2006, to use the actual amount of a week's pay and not apply the statutory cap. Calculation of a full-time week's pay is subject to a locally agreed minimum equal to 1.5 x London Living Wage

- 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 weeks pay. Any discretion permitted within redundancy and pension policies are agreed by the Director of Corporate Services.
- 5.4 Employees 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 Under the LGPS, certain employees 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.
- 5.6 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 pension provider of re-employment, even if they elect not to join the pension scheme here. It is the pension provider's responsibility to review their pension and, if necessary make any reduction due to the level of earnings.
- 5.7 The Government has put forward various proposals to reduce and standardise severance payments in the public sector and has set these out in draft Regulations (Public Sector Exit Payments Regulations 2016).

The proposals include: -

- The recovery of exit payments made to high earners who leave the public sector on or after the implementation date if they return to the public sector within 12 months of leaving.
 - Fixing of a cap (£95,000) on exit payments made to employees departing public service employers.
 - Other associated reforms to redundancy payment limits and related pension scheme provisions.
- 5.8 Implementation has been delayed by the Government and it remains to be seen whether or when the proposed Regulations and changes will be brought into force. It is anticipated that a report will be taken to Full Council as soon as the Governments decision and implementation date are made clear.

6. Publication and Access to Remuneration of Chief Officers and Other Senior Employees.

- 6.1 The Council's Chief Officer Structure is set out within the Constitution of the Council and the Constitution is updated with any changes to statutory posts. All statutory roles are designated within the Chief Officer structure.
- 6.2 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 employees on its website. This information is published for all senior employees on annual pro rata earnings of £50,000 or more.
- 6.3 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 4.8.
- 6.4 Another important indicator is the pay multiple between the highest and lowest paid employees. The current multiple is 8.44.
- 6.5 At present, the Council deems these multiples to be appropriate and within an acceptable ratio of 10:1. The policy with regard to pay multiples will be kept under review.

7 Gender Pay Gap

- 7.1 The Council's pay policy is an important tool that will help deliver on a commitment to creating a great place to work for all of our employees.
- 7.2 Setting out how the Council recognises and rewards employees in a transparent manner will help to ensure that the Council's approach and rates of pay are fair.
- 7.3 The Council is required to publish information to show their [Gender Pay Gap](#). Specifically, the Council must publish:
 - average gender pay gap figures (mean and median).
 - the proportion of men and women in each quartile of the pay structure.
 - the gender pay gaps for any bonuses paid out during the year.
- 7.2 The Council's Gender Pay Gap is calculated using a method set by The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and is reported on the Council's website.
- 7.3 Reporting Gender Pay Gap information helps to demonstrate compliance under the Public Sector Equality Duty. The reported information will show how inclusive and diverse the Council is as an

employer and will inform decisions around a number of actions delivered through the Council's HR strategy and aligned plans that will drive positive change.

8. Employee Resources

8.1 The Council uses the following different employee resources:

- Permanent employees on the establishment.
- Temporary fixed term contracts to fill posts on the establishment.
- Interims employed through service contracts to fill posts on the establishment.
- Interims where there is no established post. For example, where temporary specialist skills are needed to undertake a time limited complex project.

9. Remuneration of Interim and Temporary Employees

9.1 Where interim resources are determined to be required for a specific role within the Council, a procurement process is followed. Typically, sourcing is carried out through the Managed Supplier arrangements provided by the Council's procured supplier, through UK Government Framework contracts tendered through OJEU processes, other OJEU compliant frameworks, or Council standard low value procurement processes. Procurement Officers are fully involved in these processes.

9.2 When interim employees are required, the costs of these are subject to competitive marketplace processes. HR/Procurement officers are fully involved and aware of all interim appointments in order to assure quality.

9.3 The Chief Officer Appointments Committee has responsibility for the appointment and remuneration of Chief Officers who are Strategic Directors and who report direct to the Head of Paid Service except where there is specific delegation otherwise through Council. The Council will aim to pay for these services at a rate as close as possible to total employment costs of directly employed employees performing a comparable role, given prevailing market conditions.

9.4 Where the Chief Officer Appointments Committee makes a temporary or interim appointment to an established post, then the appointing person or body will have discretion to settle remuneration in line with current market factors.

9.5 For other posts where the Council requires an interim resource, which is not a Chief Officer, which may or may not be on the establishment, the Council will aim to pay for these services at a rate of pay as close as possible to total employment costs of directly employed employees performing a comparable role, given prevailing market conditions. However, the appointing person will have discretion to settle salary or fees in line with current market factors. Any such arrangements require

authorisation from the Head of Paid Service and Director of Corporate Services.

- 9.6 Where an interim appointment or temporary contract is deemed appropriate no appointment will be made without first having considered the actual employment relationship and working practices and the individual's status as defined within IR35 Legislation.

10. Contract for Services

- 10.1 On occasion it will be more appropriate to engage interim employees through the use of a contract for services. Unlike employees employed under contracts of employment, the relevant guidance from the Department for Communities and Local Government does not require such appointments to be approved by Council. However, where such posts are classified as Chief Officers for pay policy purposes, those posts should appear in the Statement of Accounts. To ensure that the Council is open and transparent it is proposed to provide details of any such contract where the daily rate equivalent paid by the Council to the contractor (and excluding procurement costs) exceeds £500 per day for duration of more than three months.

11. Council Role

- 11.1 Council delegates all proposed salary ranges, including performance related pay and fees methodologies, for employees paid in excess of £100,000 to the Chief Executive/Head of Paid Service in consultation with the Leader and the Cabinet Member for Finance and Commercial, excluding arrangements for Chief Executive appointments where this is delegated to the Officers Appointments Committee, to be convened by the Director of Corporate Services.