

## London Borough of Hammersmith & Fulham

**Report to:** Full Council

**Date:** 26/02/2020

**Subject:** Pay Policy Statement 2020/21

**Report of:** Councillor Adam Connell, Cabinet Member for Public Services Reform

**Responsible Director:** Lisa Redfern, Strategic Director for Public Services Reform

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### 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.

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### Recommendations

1. That Council approve the pay policy statement for 2020/21 as set out in Appendix 1.
  2. That Council note the benchmarking of the Council's median pay multiple against the average of other Inner London Boroughs contained in section 2.5 below.
  3. That Council note the new Senior Manager Pay Scheme from 1<sup>st</sup> April 2020.
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**Wards Affected:** None

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### H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Creating a compassionate council	An important feature of the pay policy is the monitoring of the pay multiple and adopting approaches that protect the interests of the lowest paid employees.
Being ruthlessly financially efficient	The pay policy statement sets out how rates of pay are controlled by application of job evaluation schemes to ensure an appropriate salary is paid. It also establishes principles that contribute to achieving value for money through payroll

expenditure.
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## **Financial Impact**

This report sets out the policy and position on pay within the Council. There are no direct financial implications arising from the recommendations as any resultant costs will need to be contained within existing employee budgets.

## **Legal Implications**

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.

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## **Background Papers Used in Preparing This Report**

- Localism Act 2011
- Openness and Accountability in Local Pay – Guidance under section 40 of the Localism Act from Department for Communities and Local Government (DCLG)
- The Local Government Transparency Code 2015 (DCLG June 2015)
- Council Pension Policy
- Council guidance on performance related pay
- NJC and GLPC Salary Scales
- Senior Manager Pay Ranges and Performance Related Pay Scheme (in place until 31 March 2020).
- Chief Officer Pay Grade (effective from 1 April 2020)
- Benchmarking of Inner London Boroughs median pay multiples (published in 2019/20 policies)

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## **DETAILED ANALYSIS**

### **1. The Statutory Requirement to Produce Pay Policy Statements**

- 1.1 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.
- 1.2 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 section 2 of the Local Government and Housing Act 1989.
- 1.3 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.
- 1.4 So far as other elements of senior remuneration are concerned, including the use of any 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.
- 1.5 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.
- 1.6 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.
- 1.7 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.

## **2. Key Issues**

- 2.1 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.
- 2.2 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.
- 2.3 The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At March 2019 this ratio was 5.3. The Council uses data from the Gender Pay Gap calculations to arrive at this figure because it is a reliable method of measuring the normal pay employees receive, including one-off payments under bonus schemes or honoraria payments for undertaking additional duties.
- 2.4 The Council is required to keep its position on the pay multiple under review. To help decide whether this position is appropriate, the Council's average pay median pay multiple of 5.3 has been compared to the position of other Inner London Boroughs. Their average, as reported in their 2019/20 pay policies, was 5.6. This suggests the Council's own position is reasonable.
- 2.5 The new pay spine agreed by the Greater London Provincial Council (GLPC) was implemented from 1 April 2019. The new pay spine was introduced to address the congestion of lower grades following several years in which higher annual cost of living increases were awarded to the lowest paid and a number of pay points removed to ensure the lowest hourly rate exceeded the value of the London Living Wage. This resulted in an average cost of living increase worth 3.2% for the 600 lowest paid staff.
- 2.6 During 2019, a review of pay and grading for senior managers was undertaken. The outcome of which was from 1 April 2020, six new grades will be introduced, and senior managers will no longer be eligible to receive either a consolidated or non-consolidated annual performance related bonus. Pay progression will be more tightly controlled under a new performance appraisal scheme. This will result in financial rewards for senior managers being more transparent and more equitable compared with the remainder of the workforce.
- 2.7 When considering the pay policy statement for 2019/20, Council agreed to a review of all Performance Related Pay (PRP) schemes. In addition to the senior manager schemes, the bonus scheme operating in Planning has also been removed. There are 5 remaining schemes which approximately 100 employees benefit from which are being reviewed as part of the Zero-Based Budgeting (ZBB) programme.

### **3 Reasons for Decision**

- 3.1 The Council is required by the Localism Act 2011 to approve a pay policy statement and for the policy to be published on the Council's website.

### **4 Equality Implications**

- 4.1 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.

*Implications verified by: Peter Smith, Head of Policy & Strategy, tel. 07818 402486*

### **List of Appendices:**

Appendix 1 – Pay Policy Statement 2020/21.

Appendix 2 – Statement of Local Employer Pension Policy May 2018

## **APPENDIX 1: PAY POLICY STATEMENT 2020/21**

### **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 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, and it has 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, including the determination of salary uplifts for senior managers 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 As from 1<sup>st</sup> April 2020, the Council's senior executives will be paid on the locally determined salary ranges for grades A to F. These replace the SMG salary ranges which were in use up to 31 March 2020. Employees on these grades include all those officers who meet the Local Government and Housing Act 1989 definition of the Head of Paid Service, Monitoring Officer, Statutory and Non-Statutory Chief Officers and Deputy Chief Officers. Other senior employees are also paid on these grades. Pay uplifts in excess of the annual cost of living awards are considered on an annual basis subject to their on-going assessment through the Performance Appraisal Scheme. This allows for consolidated uplifts to base salary up to the maximum of the grade.
- 3.4 Increases to pay scales and ranges will occur through national pay awards. Individual salaries will also be increased annually in line with national pay awards. Grades B to F will rise in line with any JNC for Chief Officers national pay award. Grade A will be increased in line with the national pay award of the JNC for Local Authority Chief Executives.
- 3.5 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
  - Pest Control
  - Rental Income
- 3.6 The pay ranges for all employees are set out in the attached appendices A and B.
- 3.7 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.
- 3.8 Each senior executive role will be graded by matching into one of 6 pay grades between A and F. All posts paid on pay grades A to F are evaluated using the Hay job evaluation scheme.
- 3.9 The Localism Act requires the Council to define its lowest paid employees.
- 3.10 The Council's lowest paid workers are defined as those on the lowest spinal column point of the NJC salary scales, which is Scale 1B spine point 1 (an annual salary of £21,231 based the April 2019 rates for a standard working week of 36 hours).

- 3.11 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.
- 3.12 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.
- 3.13 Starting salaries within the evaluated grade for the role are determined by reference to market rates and an individual's existing salary.
- 3.14 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.
- 3.15 Where market supplements and additional payments for the Head of Paid Service or Statutory and Non-Statutory 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 Assistant Director of People and Talent including the application of any Market Factor Supplements.
- 3.16 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.
- 3.17 As required by the Local Government and Housing Act 1989, the appointment and remuneration of Statutory and Non-Statutory Chief Officers who are Strategic Directors and who report directly 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.
- 3.18 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 vouchers and cycle 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 employees who are required to be registered to undertake their role.
- 4.4 An officer has a statutory position in each election i.e. the Returning Officer/ Acting Returning Officer, etc. receives a fee in recognition of this role. 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 Senior executives 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 Assistant Director of People and Talent.
- 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 considers 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 Assistant Director of People and Talent.
- 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 that 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 Council will not reemploy any previous employee who received a redundancy or severance payment without a business case justifying why it is necessary. Business cases are approved by the relevant Strategic Director and Assistant Director of People and Talent.
- 5.8 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.

- 5.9 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. A report will be taken to Full Council if the Government does bring the Regulations into force.

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

- 6.1 The Council's Chief Officer Structure is set out in the Constitution, the Constitution is updated with any changes to statutory posts. The Council defines Chief Officers within the Constitution as those Senior Leadership Team Members. The statutory definition of Chief Officers, set out in section 2 of the Local Government and Housing Act 1989, is used for the purpose of the Pay Policy Statement.
- 6.2 The Council publishes details of remuneration of senior employees 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. The information is published here: [www.lbhf.gov.uk/councillors-and-democracy/data-and-information/transparency/pay-and-organisation](http://www.lbhf.gov.uk/councillors-and-democracy/data-and-information/transparency/pay-and-organisation)

- 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 5.3 (at March 2019).
- 6.4 Another important indicator is the pay multiple between the highest and lowest paid employees. The current multiple is 9.9 (at March 2019).
- 6.5 At present, the Council deems these multiples to be appropriate and within the acceptable benchmarked ratio of 10:1. The policy regarding pay multiples will be kept under review.
- 6.6 The Council calculates these pay multiples with reference to the most recent available data used for measuring the Gender Pay Gap because it provides a reliable and consistent methodology.

## **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.
- 7.4 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 [here](#).
- 7.5 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 several actions delivered through the Council's People 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 employees on 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 process is followed. Typically, sourcing is carried out through the Managed Supplier via an approved framework. When interim resources are required, the costs of these are subject to competitive marketplace processes through the Council's approved framework. People & Talent are fully involved in this process.
- 9.2 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 Assistant Director of People and Talent.
- 9.4 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 using 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 Statutory or Non-Statutory Chief Officers for pay policy purposes, those posts should appear in the Statement of Accounts.
- 10.2 The Council will not engage on a contract for services, any previous employee who received a redundancy or severance payment without a business case justifying why it is necessary. Business cases are approved by the relevant Strategic Director and Assistant Director of People and Talent.

## **11. Council Role**

- 11.1 Council delegates all remuneration decisions for new appointments paid in excess of £100,000 to the Head of Paid Service in consultation with the Leader and the Cabinet Member for Finance and Commercial Services. This excludes arrangements on the appointment of the Chief Executive/Head of Paid Service which is the responsibility of the Chief Officers Appointments Committee.

## **12 Appendices**

Appendix A – Greater London Provincial Council (GLPC) Grades and Salaries

Appendix B – Hammersmith and Fulham Chief Officer Grades and Salaries

## **Appendix A**

### **Greater London Provincial Council (GLPC) Grades and Salaries**

Grade	01-Apr-19				Grade	01-Apr-19			
	New scp	Annual Salary	Hourly Rate	% Increase		New scp	Annual Salary	Hourly Rate	% Increase
	1	£21,231	£11.32	6.15%		36	£41,466	£22.09	2.00%
	1	£21,231	£11.32	5.61%		37	£42,432	£22.61	2.00%
Scale 1C	2	£21,612	£11.52	6.79%	PO4	38	£43,404	£23.13	2.00%
	2	£21,612	£11.52	6.10%		39	£44,373	£23.64	2.00%
	3	£22,002	£11.73	7.47%		39	£44,373	£23.64	2.00%
Scale 2	3	£22,002	£11.73	6.72%	PO5	40	£45,288	£24.13	2.00%
	4	£22,398	£11.94	7.77%		41	£46,293	£24.67	2.00%
	4	£22,398	£11.94	6.90%		42	£47,274	£25.19	2.00%
Scale 3	5	£22,800	£12.15	7.60%	PO6	41	£46,293	£24.67	2.00%
	5	£22,800	£12.15	6.40%		42	£47,274	£25.19	2.00%
	6	£23,211	£12.37	6.84%		43	£48,252	£25.71	2.00%
	6	£23,211	£12.37	5.11%		44	£49,203	£26.22	2.00%
Scale 4	7	£23,628	£12.59	5.59%	PO7	44	£49,203	£26.22	2.00%
	8	£24,054	£12.82	5.24%		45	£50,184	£26.74	2.00%
	9	£24,486	£13.05	4.82%		46	£51,162	£27.26	2.00%
	10	£24,927	£13.28	3.51%		47	£52,140	£27.78	2.00%
Scale 5	12	£25,833	£13.77	4.94%	PO8	46	£51,162	£27.26	2.00%
	13	£26,298	£14.01	4.22%		47	£52,140	£27.78	2.00%
	14	£26,772	£14.27	3.18%		48	£53,133	£28.31	2.00%
	15	£27,255	£14.52	2.24%		49	£54,174	£28.86	2.00%
Scale 6	18	£28,752	£15.32	4.93%	PO9	49	£54,174	£28.86	2.00%
	19	£29,271	£15.60	3.78%		50	£55,233	£29.43	2.00%
	20	£29,796	£15.88	2.71%		51	£56,289	£29.99	2.00%
SO1	23	£31,434	£16.75	4.74%	PO10	52	£57,333	£30.55	2.00%
	24	£32,001	£17.05	3.56%		51	£56,289	£29.99	2.00%
	25	£32,577	£17.36	2.56%		52	£57,333	£30.55	2.00%
SO2	27	£33,759	£17.99	3.58%		53	£58,380	£31.11	2.00%
	28	£34,128	£18.19	2.00%		54	£59,421	£31.66	2.00%
	29	£34,986	£18.64	2.00%					
PO1	28	£34,128	£18.19	2.00%					
	29	£34,986	£18.64	2.00%					
	30	£35,637	£18.99	2.00%					
	31	£36,486	£19.44	2.00%					
PO2	30	£35,637	£18.99	2.00%					
	31	£36,486	£19.44	2.00%					
	32	£37,413	£19.94	2.00%					
	33	£38,403	£20.46	2.00%					
PO3	33	£38,403	£20.46	2.00%					
	34	£39,543	£21.07	2.00%					
	35	£40,491	£21.58	2.00%					
	36	£41,466	£22.09	2.00%					

## Appendix B

### Chief Officer Grades and Salary Ranges

New grades from 1 April 2020. Salary values to be increased by value of Chief Officer pay award from the same date.

Chief Officer Grade	Salary Minimum	Salary Maximum
F	£61,000	£82,000
E	£82,001	£96,000
D	£96,001	£116,000
C	£116,001	£136,000
B	£136,001	£170,000
A	£175,000	£195,000

Pay grades for the period 1 April 2019 to 31 March 2020 were:

Grade	Salary Minimum	Salary Maximum
SMG3	£58,614	£77,070
SMG2 – Zone 1	£85,299	£107,031
SMG2 – Zone 2	£92,826	£111,231
SMG1 – Lower	£111,387	£126,096
SMG1 – Upper	£122,497	£168,345
Chief Executive	£156,060	£192,474



London Borough of Hammersmith & Fulham

Local Government Pension Scheme  
Discretionary Decisions Policy Statement  
Revised May 2018

## **1. Background.**

- 1.1 All employers who participate in the Local Government Pension Scheme (LGPS) are required to draw up a Discretionary Decisions Policy Statement in accordance with Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008, and Regulation 60 of the Local Government Pension Scheme Regulations 2013.
- 1.2 Every employer must send a copy of its Discretionary Decisions Policy Statement to its Administering Authority (the London Borough of Hammersmith & Fulham [LBHF]).
- 1.3 Every employer must:
- keep its statement under review,
  - make such revisions as are appropriate, and
  - ensure that all discretionary decisions made are in accordance with the governing LGPS regulations.
- 1.4 In preparing, reviewing and revising its statement, employers must be satisfied that the policy is workable, affordable and reasonable, having regard to foreseeable costs.
- 1.5 The responsibility is on the employer to fund, (or where appropriate arrange for the scheme member in their current or former employment to fund), the resulting costs from the discretionary decision(s) that the employer makes where they exceed the costs that would have been incurred had the scheme member retired at their normal pension age. All such payments must be made in accordance with the LBHF Pensions Administration Strategy.
- 1.6 Existing employer discretions required to be in place under the 2008 and 1995 Regulations remain in force for those employees who left the scheme prior to 1<sup>st</sup> April 2014 and they are included in this document.
- 1.7 This document also summarises the discretionary policy decisions made by the LBHF Administering Authority.

## **2. The LBHF Policy Statement.**

- 2.1 This policy statement applies to all LBHF employees who are current or deferred members of the Council's LGPS or have eligibility to join the scheme.
- 2.2 This policy document details the discretionary policy decisions applicable to:
- active scheme members from 1<sup>st</sup> April 2014 and members with ceased active membership from 1<sup>st</sup> April 2014, and
  - active scheme members from 1<sup>st</sup> April 2008 and who ceased active scheme membership on or after 1<sup>st</sup> April 2008 and before 1 April 2014, and

- active scheme members from 1<sup>st</sup> April 1998 and who ceased active membership on or after 1<sup>st</sup> April 1998 and before 1<sup>st</sup> April 2008.

### **3. Discretions relating to active scheme members from 1<sup>st</sup> April 2014 and members with ceased active membership from 1<sup>st</sup> April 2014.**

#### **3.1 Flexible Retirement.**

##### Context

Regulation 30(6) and 30(8) Local Government Pension Scheme Regulations 2013 enables an employer to let a scheme member in their employment aged 55 years or over to reduce his/her hours or grade and receive immediate payment of all or part of their pension benefits to which that scheme member is entitled.

Where applicable this payment is adjusted by the amount shown as appropriate in actuarial guidance.

In the event that the scheme member would suffer such an actuarial reduction in their pension and lump sum due to the early payment of the pension benefits, the regulations allow a further discretion for the employer, at its own cost, to waive that reduction in any particular case.

##### LBHF policy

The Council will consider allowing flexible retirement to a scheme member aged 55 years or over but only where the pension fund incurs no additional costs other than if the member had retired at their normal retirement age.

If a flexible retirement is requested in relation to a reduction in contractual hours, requests will only be considered where the reduction in contractual hours is at least 40 %. Under this arrangement the employee would not be permitted to work more than 3 days per week.

This discretion may only be used where the employing department can demonstrate that there is no adverse impact to service users.

The Council wishes to support employees who wish to have a gradual transition to full retirement via a reduction in working hours or a reduction in responsibility, so will be minded supporting applications from employees who have attained age 60 years. In all cases, support will be required from the employing department which will need to submit a business case detailing how the service will be maintained.

Decisions will be made on each case by the LBHF Adjudicating Panel.

#### **3.2 The 85-year rule.**

##### Context

The employer has discretion whether to apply the 85-year rule protections to scheme members who have left their employment and choose to voluntarily draw their benefits between the ages of 55 years and 60 years, under [paragraph 1(1)(c) of

Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].

The 85-year rule does not automatically apply if the scheme member decides to voluntarily draw (non-flexible retirement) benefits between age 55 years and 60 years. In this situation employers have discretion whether to agree to apply the 85-year rule protections.

Employers who agree to apply the 85-year rule protections to scheme members not entitled to it under the pension regulations have to meet all the pension strain costs (as under the 2008 Scheme).

Employers have the discretion to waive actuarial reductions applied to a scheme member's benefits and to accept all the pension strain costs.

In circumstances where employers do not agree to apply the 85-year rule protections, the scheme member would be required to meet all the pension strain costs via the actuarial reduction applied to their pension.

#### LBHF policy

No waiver of actuarial reduction will be made in any such case.

### **3.3 Additional pension contributions.**

#### Context

Under Regulations 16(2) (e) and 16(4) (d) the employer has discretion, where an active scheme member wishes to purchase extra annual pension via Additional Pension Contributions (APCs), to voluntarily contribute towards the cost of that extra pension via a Shared Cost Additional Pension Contribution (SCAPC). This employer contribution can be either by regular ongoing contribution or one-off lump sum.

Should the employer exercise its discretion to fund in whole or in part a SCAPC the Regulations also permit the Administering Authority to require a medical report from the applicant, to show that he/she is in reasonably good health.

#### LBHF policy

Under Regulations 16(2) (e) and 16(4) (d) the Council will not consider making voluntarily contributions towards the cost of purchasing extra pension via a SCAPC.

#### Context

Regulation 16 also gives the employer discretion to fund in whole or in part the scheme member's lump sum contribution to pay existing Additional Pension Contributions (APCs) to cover a period of absence from work on child-related leave, reserve forces leave or because of illness or injury.

#### LBHF policy

The Council will only in exceptional circumstances fund in whole or in part existing scheme member paid APCs to cover a period of scheme member's absence. Consideration will be given to the circumstances of each individual case, and the reasons for the scheme member's absence.

The Council will always require a medical report from an applicant (obtained at the applicant's expense) before agreeing to make APC contributions to cover any such period of absence.

The decision will be made by the Assistant Director of People & Talent.

### **3.4 Discretion of employer to award additional pension.**

#### Context

Regulation 31 (2) LGPS 2013 provides employer discretion to award up to £6,500 per year additional pension (reviewed in April each year by the Pensions Increase Act) to an active member or a member who is dismissed by reason of redundancy, business efficiency or retirement.

#### LBHF policy

The Council will consider any requests to exercise its discretion under Regulation 31 (2).

However, an increase to total pension to an active member who is dismissed by reason of redundancy, business efficiency or retirement will only be made in exceptional circumstances given the details of each individual case and the cost implications.

This is a decision made by the Assistant Director of People & Talent.

All decisions to award additional pension will simultaneously identify the source of funding to reimburse the pension fund in full for the additional costs.

## **4. Discretions in relation to ceased active scheme members on or after 1st April 2008 and before 1 April 2014.**

### **4.1 Early Payment of deferred benefits.**

#### Context

Whether to grant application for early payment of deferred pension benefits between the ages of 55 years and 60 years and whether to waive, on compassionate grounds, the actuarial reduction applied to these benefits.

#### LBHF policy

Applications for early payment of pension benefits will be considered on an individual basis in view of all relevant considerations including the likely costs and benefits and considering any protection rights that may be held by individuals regarding 85-year protections.

A waiver of the actuarial reduction on compassionate grounds will be considered only in very exceptional circumstances.

This will be a decision made by the Assistant Director of People & Talent.

## **4.2 Payment of ill health retirement and whether to waive the actuarial reduction.**

### Context

Whether to grant an application for early payment of pension benefits to a deferred scheme member of a suspended tier 3 ill health pension between the ages of 55 years and 60 years and whether to waive, on compassionate grounds, the actuarial reduction applied to these benefits.

### LBHF policy

A waiver of the actuarial reduction on compassionate grounds will be considered only in very exceptional circumstances.

This will be a decision made by the Assistant Director of People & Talent.

## **5. Discretions in relation to scheme members who ceased active membership on or after 1st April 1998 and before 1st April 2008.**

### **5.1 Early Payment of Deferred Benefits.**

#### Context

The LGPS Regulations 1997 - Regulation 31 (1)

The 1997 Scheme introduced, for those scheme members leaving employment after the 1<sup>st</sup> April 1998, the right of the former scheme member to elect to receive payment of their pension benefits between ages 50 to 59 years, but only with the consent of their former employer. The benefits received will be subject to an actuarial reduction permitted and subject to any protections under the 85-year rule.

#### LBHF Policy

The LGPS Regulations 1997 - Regulation 31 (1)

Applications for early payment of benefits will be considered on an individual basis in view of all relevant considerations including the likely costs and benefits and considering any protection rights that may be held by individuals regarding the 85-year rule. Early payment is unlikely to be agreed where there is a cost to the former employer.

This will be a decision made by the Assistant Director of People & Talent.

The LGPS Regulations 1997 - Regulation 31 (5)

A member's appropriate employing authority may determine on compassionate grounds that the pension benefits should be paid unreduced.

This will be a decision made by the Assistant Director of People & Talent.

### **5.2 Buy back of lost membership benefits (excluding sickness absence cases) arising from periods where no pay is received e.g. unpaid maternity leave, unpaid leave of absence, and industrial disputes.**

#### Context

The Local Government Pension Scheme Regulations 1997 Regulation 18.

An election to pay back contributions must be made within 30 days or such longer period as the employer may allow.

#### LBHF Policy

Time limits for elections to pay back contributions will be set in relation to each individual case and as and when each situation arises.

This will be a decision made by the Assistant Director of People & Talent.

### **6. Administering Authority discretions.**

Within the LGPS there are discretions that rest with the Administering Authority. The decisions made in each instance by the Administering Authority are detailed below.

#### **6.1 Awarding Death Grant payments.**

##### Context

Regulation 40 of the LGPS Regulations 2013 (replacing Regulation 23 Admin Regulation 2008) allows an Administering Authority absolute discretion as to the person to whom a death grant payment should be made.

##### Administering Authority policy

The LBHF Administering Authority will decide to whom death grants should be paid, considering, but not limited to, the scheme members "expression of wish" form.

Letters of administration grant of probate, and any other documents may be requested by the Assistant Director of People & Talent prior to making a decision regarding the death grant.

This will be a decision made by the Assistant Director of People & Talent.

#### **6.2 Paying Child Pensions.**

##### Context

Under Schedule 1 LGPS Regulations 2013 (replacing Regulation 26 Admin Regulations 2008) the Administering Authority has the discretion to ignore any break in education and treat a child's full-time education or vocational training as continuous.

##### Administering Authority policy

The LBHF Administering Authority will consider the circumstances of each individual case which will include consideration of the reasons for the break, e.g. unplanned change in circumstances, bereavement, etc.

This will be a decision made by the Assistant Director of People & Talent.

#### **6.3 Continuation of spouse's pension on co-habitation or re-marriage where the member left before 1st April 1998.**

##### Context

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997, The Local Government (Early termination of employment) Discretionary (compensation) Regulations 2000.

The 1997 Transitional Provisions give the Administering Authority the power (on behalf of the Fund as a whole) to resolve that all spouses' pensions paid from the Fund and any annual compensation payment will continue in respect of co-habitation or re-marriage commencing on or after 1st April 1998.

Administering Authority policy

That all spouse's pensions and annual compensation will continue to be paid on co-habitation or remarriage on or after 1<sup>st</sup> April 1998.

**6.4 Re-employed Pensioners (Abatement).**

Context

The Local Government Pension Scheme Regulations 1997 Regulation 109. The 1997 Scheme requires the administering authority to formulate a policy on the extent to which a pension should be abated. The policy formed applies to all pensioners who commence re-employment after 31st March 1998.

Administering Authority policy

The policy of the administering authority is to apply abatement to all pensioners who commence re-employment after 31st March 1998.