

<p>London Borough of Hammersmith & Fulham</p> <p>FULL COUNCIL</p> <p>21 FEBRUARY 2018</p>		
<p>PAY POLICY OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM 2018/19</p>		
<p>Report of the Cabinet Member of Finance – Councillor Max Schmid</p>		
<p>Open Report</p>		
<p>Classification - For Decision Key Decision: No</p>		
<p>Wards Affected: None</p>		
<p>Accountable Executive Director: Kim Dero, Chief Executive</p>		
<p>Report Author: Mark Grimley – Interim Director of Human Resources and Organisation Development</p>	<p>Contact Details: Tel: 020 8753 3592 Mark Grimley@lbhf.gov.uk</p>	

1. EXECUTIVE SUMMARY

- 1.1. 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 2018/9 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. It should be noted that the pay scales cited are for the year 2017/18 as the national pay award for 2018/19 has yet to be agreed.

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 reemployment 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 reemployed 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.
- 5.3. The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At the start of 2018 this multiple is 4.7.

6. EQUALITY IMPLICATIONS

- 6.1. 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.
- 6.2. Implications verified by: Peter Smith, Head of Policy and Strategy – Tel: 020 8753 2206

7. 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 Chief Solicitor (Litigation and Social Care)

8. 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 report as resultant costs can be contained within existing budgets.
- 8.2. Implications verified/completed by Hitesh Jolapara, Strategic Director for Corporate Financial Services.

9. RISK MANAGEMENT

- 9.1. None.

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

10. IMPLICATIONS FOR BUSINESS

10.1. None.

11. COMMERCIAL IMPLICATIONS

11.1. None.

11.2. Implications verified/completed by Michael Hainge, Commercial Director

12. IT IMPLICATIONS

12.1. None.

12.2. Implications verified/completed by Veronica Barella, Chief Information Officer.

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.	Council Pension Policy	Mark Grimley – Interim Director of Human Resources and Organisation Development	Hammersmith Town Hall
2.	Council guidance on performance related pay	Tel: 020 8753 3068	

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

1. CONTEXT

- 1.1. Hammersmith and Fulham 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 intended that once approved this pay policy statement will be published to ensure transparency and fulfil its obligations under section 38 (1) of the Localism Act 2011.
- 1.2. As a broad principle, the Council adopts the terms and conditions of employment for Chief Officers that apply to NJC staff (Green Book) and the local variations within the Councils staff handbook.
- 1.3. 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 staff and with the requirements set out in the Local Government and Housing Act 1989.

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. FAIR PAY

- 3.1. For the purposes of this Pay Policy Statement, the Council is required to define and set out the relationship and definition of the lowest paid employee. The Council's pay and grading structure is set out in Appendix One.
- 3.2. The 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 which is £18,222, and is therefore the Council's lowest pay point including apprentices. 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. The FTE pay for the lowest paid worker is therefore £18,222 from 1

April 2017, based on our standard working week of 36 hours. The Head of Paid Service is paid at £169,000.

- 3.3. This places a ratio between the lowest paid and highest paid employee at 1:9.2 as at 1st April 2018, (national pay award pending).

4. CHIEF OFFICER PAY

- 4.1. This section sets out the Council's policy in relation to Chief Officer remuneration and benefits as set out in the Localism Act 2011.

- 4.1.1. 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.

4.2. Levels and elements of remuneration for each Chief Officer:

- 4.2.1. Each Chief Officer will receive a basic salary as defined by the Council's pay and grading structures commensurate with their level of responsibilities.

- 4.2.2. Each Chief Officer role will be graded using the Hay Job Evaluation methodology based on the published role profiles and organisational structures to determine the grade of the posts within the councils grading structure for Chief Officers

- 4.2.3. The council has the following pay ranges for Chief Officer posts:

- Heads of service are graded at SMG 3 and the pay range is from £56,337 - £74,062
- Directors are graded at SMG2 and the pay range is from £81,987 – £106,910
- Executive Directors are graded at SMG1 and the pay range is £107,060 to £161,808

- 4.2.4. Each Chief Officer will receive the same local terms and conditions of employment as set out in the NJC (Green Book) employees.

- 4.2.5. 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 Chief Officer Appointments Committee, including the application of Market Factor Supplements.

- 4.2.6. 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.

4.3. Recruitment and remuneration on engagement of Chief Officers

- 4.3.1. Chief Officers will be remunerated at the evaluated grade for the role on commencement of service.

4.3.2. As required by law, 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.

4.4. Increases and additions to remuneration for each Chief Officer

4.4.1. The Council will review each role profile and remuneration of Chief Officers prior to any recruitment or at the creation or substantive change to the existing role.

4.4.2. Increases to pay scales and ranges for Chief Officers on JNC for Chief Officers will occur through any national pay award.

4.5. Performance-related pay (PRP) for Chief Officers

4.5.1. The most senior staff at Chief Officer level (JSMG 1, 2 and 3 grades) have, 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.

4.5.2. 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.

4.5.3. 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.

4.6. Chief Officer pay on termination of contract or end of office

4.6.1. Chief Officers will receive their contractual entitlement for termination payments. These entitlements are the same for NJC staff (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 for Human Resources and Organisational Development.

4.6.2. Redundancy pay for Chief Officers is calculated at the statutory minimum.

4.7. Benefits in Kind

4.7.1. Chief Officers do not receive any benefits in kind. Any benefits, gifts or hospitality must be properly authorised and recorded in accordance with the Officer's Code of Conduct.

4.8. Charges, fee and professional registrations

4.8.1. Professional fees and charges will be made on behalf of statutory officers and deputy statutory officers in respect of their requirement to be registered to practice with the relevant body.

4.9. Increases and enhancement to pension entitlement

4.9.1. The Council's Chief Officers are entitled to become members of the Local Government Pension Scheme (LGPS) or NHS Pension Scheme. Payments and entitlements are subject to LGPS Regulations or NHS Pension Scheme Regulations. The Council does not enhance pensions or provide added-years to Chief Officers beyond their basic entitlements.

4.9.2. Pension strain costs are borne by the Authority on the redundancy of a Chief Officer in line with all other employees. The Council policy limits the maximum cost of redundancy and pension strain to a maximum of three times the annual salary for payback or complies with legislation at the time. Any situation likely to exceed this amount will be resolved by the Council's Chief Officer Appointments Committee at the point of dismissal.

4.10. Other amounts payable

4.10.1. The award of other payments within the Council's pay policies will be agreed with the Chief Officer Appointments Committee and reported in the Statement of Accounts.

4.11. Chief Officer Policies

4.11.1. Policies adopted for application to the NJC staff (Green Book) will apply to Chief Officers with the exception of matters related to non-executive functions of the Council in relation to Chief Officers such as appointment, investigations and disciplinary action, employment appeals and dismissal.

4.12. Terms and conditions

4.12.1. Chief Officer terms and conditions will mirror those for NJC staff (Green Book). No more or less favourable terms or treatment shall be afforded to Chief Officers in respect of terms and conditions of employment.

4.13. Superannuation (Employer's pension contribution)

4.13.1. The rate of superannuation contributions is determined by the Local Government Pension Scheme Regulations.

4.13.2. Superannuation payments are made by the employer into the Local Government Pension Scheme (LGPS). The rate of contribution is defined by the LGPS and is applicable to all employees (including chief officers). The latest Local Government Pension Scheme Regulations 2014 were introduced from 1 April 2014. There will be 9 employee contribution bandings between 5.5% and 12.5%.

4.14. Returning Officer Fees

4.15. The designation and duties of the Returning Officer and Electoral Registration Officer are independent of the Council. Officers undertaking these duties may claim for the appropriate allowance. The Council will designate the officer for these purposes.

5. STAFFING RESOURCES

5.1. The Council uses the following different staffing resources:

- Permanent staff 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.

6. REMUNERATION OF INTERIM AND TEMPORARY STAFF

6.1.1. 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.

6.2. When interim staff 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.

6.3. 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 staff performing a comparable role, given prevailing market conditions.

6.4. 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.

6.5. 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 staff 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, Director for Human Resources and Organisational Development and Strategic Director for Corporate Services.

7. CONTRACT FOR SERVICES

- 7.1. On occasion it will be more appropriate to engage interim staff through the use of a contract for services. Unlike staff 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.

8. PUBLICATION

- 8.1. Upon approval by the Council, this statement will be published on the Council's Website and will also be available in additional formats by request.
- 8.2. Chief Officer remuneration (actual payments) will be reported in the Council's Annual Statement of Accounts.
- 8.3. Payments in respect of the use of interim management services are also available in the Annual Statement of Accounts where the daily rate equivalent paid by the Council exceeds £500 per day for more than a period of three months. These payments include all agency fees, and exclude VAT.
- 8.4. In addition, for employees where the full time equivalent salary is £50,000 or more, excluding employer superannuation contributions, the Council's Annual Statement of Accounts will include the number of employees in bands of £5,000