

PAY POLICY STATEMENT 2018/19**CORPORATE COMMITTEE
MEETING DATE 2017/18****30 October 2017****CLASSIFICATION:****Open****If exempt, the reason will be listed in the
main body of this report.****WARD(S) AFFECTED****All Wards****GROUP DIRECTOR****Tim Shields, Chief Executive**

1. INTRODUCTION

- 1.1 The *Localism Act 2011* requires the Council to publish an annual pay statement for Chief Officer Pay. The draft statement for 2018/19 is attached at Appendix 1. This statement must be approved by a resolution of the Council before 31 March 2018.
- 1.2 This report is presented to Corporate Committee as part of its remit in relation to Human Resources and is presented for DECISION.

2. RECOMMENDATION(S)

Corporate Committee is recommended to agree the Pay Policy Statement and recommend Council approve it.

3. REASONS FOR DECISION

- 3.1 The *Localism Act 2011* requires the Council to publish an annual pay policy statement setting out its policies relating to the:-
- remuneration of its chief officers (including details of pay elements, pay increases, salary on recruitment and payments on termination);
 - remuneration of its lowest-paid employees; and
 - the relationship between the remuneration of chief officers and employees who are not chief officers.
- 3.2 The attached draft statement updates the 2017/18 statement which was approved by Council. The 2018/19 statement must be approved by a resolution of the Council before 31 March 2018.

4. BACKGROUND

- 4.1 The legal requirements to publish pay policy are broadly drawn and there is considerable discretion over the amount of information that authorities choose to disclose. In preparation of the statement, account has been taken of the guidance *Openness and accountability in local pay: Guidance under section 40 of the Localism Act* and the subsequent supplementary guidance both published by the Department for Communities and Local Government (DCLG). Account has also been taken of guidance issued by the JNC for Chief Executives.
- 4.2 The statement details current pay practice and some paragraphs have been reordered for ease of reading and understanding. It does not introduce new policy principles.
- 4.3 The Council will be bound by the approved Pay Policy Statement, which can only be amended by Council resolution, and the Policy has been drafted to provide sufficient flexibility to enable practical implementation within the year.

4.4 Both the JNC for Chief Executives and the DCLG in their Code of Recommended Practice promote the use of a 'pay multiple' (the relationship between the Chief Executive's salary and the median salary) as the most effective way to present the relationship between chief officers and employees who are not chief officers. We agree and the Statement includes the calculation and tracking of this pay multiple. It should be noted that actual salaries and other payments made to some officers are required to be published in the Annual Statement of Accounts, and we also do this.

4.5 **Policy Context**

The Pay Policy Statement is an external requirement, supporting the Government's aim to enhance accountability, transparency and fairness in the setting of pay.

4.6 **Equality Impact Assessment**

This report has been produced so that full Council can ratify the publication of the pay policy statement for publication on the Council's website. The statement incorporates a range of specific Council decisions which, where appropriate, were themselves subject to specific equality impact assessments.

4.7 **Sustainability**

Not applicable

4.8 **Consultations**

Trade Unions were consulted on the original policy. It has not materially changed.

4.9 **Risk Assessment**

It is a legal requirement that the Pay Policy Statement be published by 31st March 2018.

5. **COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

5.1 The *Localism Act 2011* requires the Council to publish an annual pay statement for Chief Officer Pay.

5.2 The pay multiples have been prepared based on the Local Government Association's Transparency Code.

6. COMMENTS OF THE INTERIM DIRECTOR OF LEGAL

Article 9 of the constitution confirms that the Councils Corporate Committee is responsible for maintaining oversight of the Councils regulatory, planning, election and human resources functions, as well as any other function not specifically allocated to full Council or another committee. Under the Localism Act 2011, Local Authorities are required to approve and adopt a Pay Policy Statement before the beginning of each financial year. It is for this reason that the Committee is recommended to agree and approve the pay policy statement at Appendix 1. This Pay Policy Statement meets the requirements of the Act.

APPENDICES

Appendix 1 - The Pay Policy Statement 2018/19

BACKGROUND PAPERS

None

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Pay Policy Statement 2018/19

Part 1 – Introduction and application

- 1.1 To improve transparency and accountability within Local Government, Hackney Council will annually publish details of its pay policy. The publication of this Pay Policy Statement meets the requirements contained in chapter 8 of the *Localism Act 2011*.
- 1.2 For the purposes of this Statement, Hackney's chief officers comprise the Chief Executive officer, first tier and second tier, grades CO1-CO3.

The Chief Executive is responsible for the strategic overview of all Council services and for leading the Council's Management Team in ensuring that the Mayor's strategic priorities are met.

The Council has a structure of 4 Groups:

- Chief Executive's Directorate
- Children, Adults and Community Health
- Finance and Corporate Resources
- Neighbourhoods and Housing

With the exception of the Chief Executive's directorate, each Group is led by a Group Director with individual divisions headed up by Directors.

- 1.3 Hackney Council is required to publish its policy on:-
 - Making discretionary payments on termination of employment¹. In exceptional circumstances the Council may consider enhanced compensation payments. Any payments made must be proportionate, reflect additional costs that may arise and fulfil the needs of the service. Each case will be considered on its merits and in compliance with the legislation, no payment will exceed the value of 104 weeks' pay. All such payments will be subject to an internal business case approval process involving Finance and Human Resources.

¹ Under the requirements of the *Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006*

- Increasing an employee's total pension scheme membership and on awarding additional pension.² The Council will not increase total pension scheme membership nor award additional pension.

- 1.4 This Pay Policy Statement also sets out the Council's policy as it relates to the remuneration of its lowest paid employees.
- 1.5 This Pay Policy Statement sets out the principles governing remuneration within the Council in 2018/19. This Pay Policy Statement is approved by full Council resolution.
- 1.6 Hackney Council's pay and remuneration practice in 2018/19 must be in accordance with the policy expressed in this statement. A resolution of Council is required to amend this policy.
- 1.7 This Pay Policy Statement will be published on the Council's website and governed by the publishing local government data licence terms that can be found at <http://www.hackney.gov.uk/3713.htm>

Part 2 – Officer appointment, pay and remuneration

2.1 Appointment of chief officers

A Council resolution is required to approve the appointment of a Chief Executive. The prospective candidate will be recommended to Council by a committee or sub-committee of the Council that includes at least one member of the Executive.

The Council's Appointments Committee will establish a sub-committee, which includes at least one member of the Executive, to approve the appointments of Group Directors.

Appointments to Director posts will be the responsibility of the relevant Group Director and lead Member.

2.2 Remuneration of chief officers on appointment

The remuneration of the Chief Executive on appointment will be agreed by the Council's Appointments Committee.

With the exception of the Chief Executive, all chief officer posts are evaluated by Human Resources using the Local Government Employers Senior Manager job evaluation scheme. The evaluation provides an overall score for

² In accordance with the *Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006*

the job that will determine the appropriate grade and pay band for the post-holder.

At appointment chief officers are normally offered a salary corresponding to the lowest spinal column point in the relevant pay band for the job unless a higher spinal column is agreed (in order to, for example):-

- match the appointee's previous salary (e.g. in the case of a move from another authority); or
- secure a specific candidate with particular experience and competence

2.3 **Chief Officer pay**

The Council uses three chief officer grades – CO1, CO2 and CO3. Salaries of Chief Officers are published according to the relevant Regulations.

The Chief Executive's salary does not correspond to an established Council grade and spinal column point; it is a 'spot' salary determined by the Appointments Committee on appointment and may be reviewed by the Mayor.

The Chief Executive, in consultation with the Mayor, has the authority to approve a 'spot' salary and/or a market supplement outside of the established chief officer grades and pay bands. In such circumstances, the Chief Executive will consider the published advice of the JNC for Chief Officers of Local Authorities.

The Council has appointed the Chief Executive as Returning Officer for parliamentary and local elections, and referenda under the *Representation of the People Act 1983* and subsequent regulations. The Chief Executive will receive fees for discharging the Returning Officer responsibilities as determined by the governing body responsible for the election. Other Chief Officers may also receive fees if appointed to elections roles by the Returning Officer.

2.4 **Increases and additions to remuneration for chief officers**

Chief Executive

Percentage annual pay increases will be linked to those nationally negotiated and agreed by the Joint Negotiating Committee (JNC) for Chief Executives.

Chief Officers

Annual increases in base pay awards will be determined by those nationally negotiated and agreed by the Joint Negotiating Committee (JNC) for Chief Officers of Local Government Services.

With the exception of the Chief Executive, Chief Officers will be subject to an annual appraisal of achievement against agreed targets/tasks and in accordance with the Council's management competencies. Where overall

performance is rated as meeting specified criteria, the officer will receive an increment to the next point of the relevant salary scale.

Where Chief Officers are at the salary scale maximum or on 'spot salary', additional payments may be agreed at the discretion of the Chief Executive.

2.5 Policy on bonus payments

Bonuses will not be paid to chief officers.

Bonuses are also not paid to other employees, with the exception of certain former Hackney Homes staff who have TUPE transferred to Hackney Council and who retain a productivity based incentive scheme as part of their TUPE terms and conditions of employment.

The Council's policies on 'acting-up', honorarium, market supplements and/or ex-gratia payments will apply to Chief Officers.

2.6 Policy on employees (including chief officers) ceasing to hold office

Redundancy

The Council's policy on redundancy payments applies equally to chief officers and non-chief officers. Where posts are deleted, redundancy payments will be made in accordance with the statutory redundancy tables. Under the Council's discretions policy, redundancy payments are based on actual weeks' pay and not the statutory minimum. The maximum redundancy payment that can be made is equivalent to 30 weeks' pay.

In addition to the redundancy payment the Council will make a discretionary severance payment at the standard rate at 70% of the value of the redundancy payment. This applies to all staff regardless of their pay grade. Where there is an automatic entitlement to the early release of pension benefits as a result of being made redundant³ and there is a pension strain cost due to that early payment, this will be offset against the discretionary severance amount prior to any payment being made.

Any employee leaving the Council as the result of redundancy will not be permitted to re-join Hackney Council in any capacity, including engagement via employment agencies or as a consultant, for at least one year, except in exceptional circumstances and where specifically agreed by the Group Director – Finance & Corporate Resources. There is no such restriction on an individual made redundant by another local authority from securing employment with Hackney Council.

Any legislation that may be enacted during the year in respect of termination payments and/or clawback of termination payments will be applied and may vary this policy.

³ Under the terms of the Local Government Pension Scheme Regulations

Release from service in the interest of efficiency

Where a post is not being deleted but where an employee is no longer able to carry out the job effectively, the Council may consider the option of early retirement on the grounds of efficiency. A full assessment of all the circumstances must be carried out in accordance with the Council's policy on redundancy and discretionary compensation.

Early retirement of a chief officer on the grounds of efficiency must be authorised by Chief Executive in consultation with the Group Director - Finance and Corporate Resources.

Flexible retirement

The Council's policy on flexible retirement applies equally to chief officers and non-chief officers. Flexible retirement provides the ability for an employee to draw their pension at the same time as being able to remain as an employee through a reduction either in hours of work or grade. There is no bar to individuals who have taken flexible retirement from securing work with Hackney Council.

2.7 Arrangements to minimise tax avoidance

The Council aims to appoint individuals to chief officer positions on the basis of contracts of employment and apply direct tax and National Insurance deductions from pay through the operation of PAYE. Consultants will only be used where warranted by the particular skills required. Where used, consultants' appointments will be reviewed annually by the Group Director – Finance & Corporate Resources.

2.8 Policy on publication and access to information relating to remuneration of chief officers

The Council will publish this Pay Policy Statement and chief officer salary details annually on its website.

Part 3 – Relationship of chief officer pay and remuneration to workforce pay and remuneration

3.1 Pay for employees who are not chief officers

Hackney Council employees are employed on terms and conditions which fall within a relevant national/regional pay and conditions framework. The frameworks are:-

- the National Joint Council (NJC) for Local Government Services as modified by the Greater London Provincial Council agreement of 2000
- the JNC for Youth and Community workers

- the Soulbury Committee (for educational psychologists, advisers and inspectors)
- Teachers pay and conditions framework
- the JNC for Coroners
- The Local Government Employers senior manager evaluation scheme

Non-chief officer jobs are evaluated using the Greater London Provincial Council (GLPC) job evaluation scheme for posts up to and including PO15 grade and the Local Government Employers Senior Manager job evaluation scheme for posts over PO15. An alternative job evaluation scheme may be adopted for use within the Council for some or all non-chief officer jobs if identified as desirable as part of a pay and grading review. At appointment, officers will be offered a salary corresponding to the lowest spinal column point the relevant pay band for the job unless a higher spinal column point is required to match the appointee's previous salary or to secure a specific candidate with particular experience and competence.

The use of market supplements may be considered where the Council is unable to compete for talented staff owing to the evaluated grade falling below the market rate for the job. Where market supplements are used, their continued use must be assessed regularly against relevant sector pay data.

3.2 Lowest-paid employees

For the purposes of this Pay Policy Statement, the 'lowest paid employee' is defined as an employee on the lowest pay point routinely used by Hackney Council for its substantive jobs, calculated at full-time equivalent. The lowest pay point routinely used is spinal column point 10 of the Inner London pay scale set by the Greater London Provincial Council.

Staff paid at levels beneath spinal column point 10 are not on the pay scale set by the NJC for Local Government Services or are staff who have not wished to come onto Council terms and conditions because of terms protected under the TUPE Regulations.

It is the Council's policy that all of its employees (excepting employees whose overall terms and conditions are protected under the TUPE Regulations) will receive an hourly pay rate that is equivalent to or higher than the London Living Wage.

All workers supplied to the Council by a temporary work agency will be paid a rate at least equivalent to the rate that would be received by a comparative permanent employee. All agency workers will receive an hourly rate that is equivalent to or higher than the London Living Wage.

3.3 Pay multiples

Hackney Council will annually publish the ratio of the pay of its Chief Executive to that of its median and lowest-paid earner.⁴

The median is the salary that separates the higher-earning half of the workforce from the lower-earning half. All salaries will be arranged from lowest to highest value and the middle salary will be selected as the median.

The calculation of the pay multiples will be based on all earnings for the year, including base salary, variable pay, allowances and the cash-value of benefits-in-kind. Pay for part-time employees is scaled-up to full-time equivalence to enable meaningful comparisons and pay for those that have only worked a part year is also scaled up as those they worked a full year. Benefits which employees participate in but not taxed (such as salary sacrifice arrangements) are included within total earnings figures.

Pay:	2015/16	2016/17
Chief Executive's total pay	£176,531	£176,531
Median total pay	£31,323	£30,831
Ratio	5.64	5.73

Hackney Council will also annually publish the rate of its Chief Executive to that of its lowest-paid earner:-

	2015/16	2016/17
Chief Executive's total pay	£176,531	£176,531
Lowest-paid total pay	£17,439	£18,846
Ratio	10.12	9.37

All earnings:	2015/16	2016/17
Chief Executive's total earnings*	£185,622	£201,632
Median total earnings	£32,090	£30,831
Ratio	5.78	6.54

	2015/16	2016/17
Chief Executive's total earnings	£185,622	£201,632
Lowest-paid total earnings	£17,836	£18,846
Ratio	10.41	10.7

Notes to the pay multiples

1. All earnings for the Chief Executive include pay, a travel allowance, and an allowance for election duties. There were 7 elections or referenda in 2016/17, which is unique and not expected to reoccur. There is one election due in 2017/18 and one in 2018/19.

⁴ In accordance with the *Code of Recommended Practice for Local Authorities on Data Transparency* (DCLG)

2. Median total pay and median total earnings have reduced as a result of the TUPE transfer of Hackney Homes employees back into the Council. This employee group contains proportionally more employees at lower grades which has reduced median pay from 2015/16 to 2016/17. This effect is expected to be permanent.

The effect of the two points above has been to increase the ratio, in particular, of Median Total Earnings to Chief Executive's Total Earnings from 5.78 to 6.54. In future years this is expected to reduce, although given point 2 above, it is unlikely to decrease to 2015/16 levels.

3. Median total pay and median total earnings are the same this year as both measures fall within a populous grade, SO1.
4. Lowest paid total earnings has increased significantly as a result of pay awards being weighted to the bottom end of the pay structure.

Part 4 – Other reward mechanisms

4.1 Pay protection

Hackney Council has a pay protection policy that provides a mechanism to assist employees to adjust to a reduction in pay arising from organisational change or redeployment. Pay is protected for a period of 6 months following which the employee reverts to the level of pay for the substantive grade.

4.2 Pension

Hackney Council operates the Local Government Pension Scheme (LGPS) and makes pension contributions as required to all employees who participate in the scheme. The Council has determined policies around the discretions available under the LGPS.

Since 1 July 2013 the Council automatically enrolls workers into either the Local Government Pensions Scheme or the National Health Service Pension Scheme, as appropriate, if they meet the following criteria:-

- Earn over £10,000 a year; and
- Are aged between 22 and State Pension Age⁵

4.3 Other benefits

All permanent employees may participate in the childcare voucher and cycle-to-work schemes through a salary sacrifice arrangement as well as a range of

⁵ As required by the *Pensions Act 2008*

other benefits. There is also a discounted gym membership offer and a general employee discounts scheme as well as a low cost loans offer, season ticket loans and tenancy deposit loans. Further employee benefits may be introduced during the year.