

Appendix A

PAY POLICY STATEMENT FOR HERTSMERE BOROUGH COUNCIL 2017/18 (UPDATED JUNE 2017)

This updated Pay Policy Statement is produced in accordance with Section 40 of Chapter 8 of the Localism Act 2011 and takes account of the Supplementary Guidance published by the Department for Communities and Local Government on 20 February 2013. It will be available on the Council's website as a stand-alone document once it has been approved by the full Council meeting on 12 July 2017. The Council's website also includes separately published data on salary information relating to Chief Officers and other senior staff in the Statement of Accounts.

Please note:

- **Salaries on Appointment** – There have been no new appointments to senior posts with salary packages over £100,000 in 2016/2017, nor are any such new appointments anticipated in the foreseeable future. There is therefore nothing to report on, nor anything requiring a Council vote in this regard
- **Severance Payments** - There has been one severance package over £100,000 since the 2017/18 Pay Policy Statement was issued. This was a redundancy, which flowed from the decision to change the top management structure approved by vote of the full Council in January 2017. Details of the post that was deleted and the severance costs are given further on in the statement.

1. Introduction and local context:

- 1.1. Hertsmere Borough Council is a district council located adjacent to the outer London boroughs of Harrow, Enfield and Barnet, just 13 miles from the centre of London. There is a high incidence of commuting in the borough, which impacts on the local labour market and levels of pay, particularly for jobs that require skills that are in relatively short supply. The upturn in the economy is starting to impact on retention rates in key skills areas such as planning. The Council's pay strategy and policies therefore need to continue playing an important role in attracting and retaining the best people, especially as the organisational structure has been significantly reduced, leaving fewer people to carry the responsibility for delivering essential services.
- 1.2. Major decisions on pay, such as annual pay awards, are determined for most local authorities in England and Wales by the National Agreement on Pay, arrived at through a system of central collective bargaining between representatives of the Local Government employers and representatives of the relevant trades

unions on the National Joint Council. Hertsmere Borough Council came out of the National Agreement on Pay for its staff more than 20 years ago and has conducted local pay negotiations since that time. This also enabled Hertsmere Borough Council to introduce performance related pay progression and there have been no automatic pay increments in the Council for many years now, whereas the majority of local authorities are still tied to the old 'time served' system of pay increments.

- 1.3. The pay structure for the majority of staff is underpinned by the 'PE Inbucon' job evaluation scheme (a private sector scheme which has been adapted for local government). However, the current pay structure and job evaluation for Heads of Service and Chief Officers was based on HAY principles and was established with the assistance of the Local Government Employers in 2008.
- 1.4. The Council decided in January 2017 to alter the top management structure by reducing the number of Directors from 2 to 1 and the Chief Executive implemented interim arrangements allocating additional duties to some members of the Senior Management Team. The Chief Executive is now proposing that these arrangements be consolidated on a permanent basis and consequently it was necessary to conduct a new job evaluation exercise for all Heads of Service and Chief Officers. This was undertaken by the Director of the East of England LGA and the findings and recommendations reported to the Personnel Committee on 28 June 2017. These are reflected in sections 2 to 4 of the statement below.
- 1.5. Decisions on the overall pay strategy and pay policies are taken by the Personnel Committee, subject to the financial implications being agreed by the Executive within the budgetary framework approved by the full Council. The application of agreed pay policies to individual employees below Chief Officer level is the responsibility of the Chief Executive as Head of the Paid Service, with specific responsibilities delegated to Chief Officers and other senior officers. The application of agreed pay policies to the Chief Executive is the responsibility of the Leader of the Council in conjunction with a panel of Members appointed to carry out functions such as the recruitment, appraisal and remuneration of the Chief Executive. The application of agreed pay policies to the Chief Officers is the responsibility of the Chief Executive and in the case of recruitment appointment (including salary packages) of Chief Officers, the Chief Executive in conjunction with a panel of Members appointed to carry out such functions. The appointment of a Chief Executive or a Chief Officer and the salary packages on appointment, are ratified by the full Council. The application of agreed pay policies to Heads of Service is the responsibility of the Chief Executive in conjunction with the relevant Chief Officer.

Excluding apprentices, the lowest paid employees in the Council are in jobs that were formerly designated as manual workers. Single Status was implemented in 2007 to harmonise the principal terms and conditions of these employees with other staff.

- 1.6. In April 2017, there was a local pay award of 1.5% for all Hertsmere Borough Council employees.

2. The Remuneration of the Chief Executive:

- 2.1 The current pay structure for the Chief Executive is set out in Table A below. The table differs slightly from that published in the Statement earlier in the year because the Chief Executive received a pay award of 1.5% on 1 April 2017 in line with the local pay award applied to all employees.

- 2.2 The Chief Executive's role was evaluated by EELGA in May 2017 using the LGA Senior Managers' Job Evaluation Scheme. Taking account of the increased number of departments being directly managed by the Chief Executive, the JE score indicated that the job remit had grown significantly and it was recommended that the Chief Executive' pay band be amended to bring it in line with the new size of the role. This has been achieved by removing the bottom two points from the scale and adding two new points at the top, each of which represents an increase by £3,500 per annum. The new pay band is set out in Table B below.

TABLE A

Chief Executive Pay Scale 2017/18 incorporating 1.5% local pay award	
Scale Point	Salary
1	£135,138
2	£138,371
3	£141,602
4	£144,834
5	£148,064
6	£151,297

TABLE B

Revised Chief Executive Pay Scale 2017/18 recommended by EELGA	
Scale Point	Salary
1	£141,602
2	£144,834
3	£148,064
4	£151,297
5	£154,797
6	£158,296

- 2.3. Benefits in kind for 2016/17 included Health Care Insurance to the annual value of £296 which is taxable at the rate of 40%. The Chief Executive also receives reimbursement of the costs of a home telephone line dedicated to business purposes at a set rate of £45 per quarter. An interest free car loan facility is available but has not been utilised by the Chief Executive. In the event that it was to be

utilised, a calculation would be made of the value of the benefit i.e. the amount of interest the employee would otherwise have paid on the loan and this would be subject to taxation by the Inland Revenue. Benefits in kind are assessed by the Inland Revenue in the year after they were received hence the figures above relate to 2016/17. These will be updated again at the end of the financial year as the new information is not available in time for this amended 'in-year' statement.

- 2.4. It is the Council's policy that the full time equivalent (FTE) salary package for the post of Chief Executive, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than 6.5 x the average FTE salary of all employees in the workforce. This maximum is not currently being met notwithstanding the amendment to the Chief Executive's pay band.
- 2.5. The Chief Executive is also the Returning Officer for elections in Hertsmere and fees paid for this in the 2016 local elections amounted to £11,634 before tax. This is a separate employment and therefore not factored into the calculation of multiples referred to in paragraph 2.4 above. Hertsmere is not responsible for appointing the Returning Officer at County, Parliamentary or European elections or for national referendums and fees for any such appointments are therefore not included in this statement. The figures above relate to 2016/17 and will be updated again at the end of the financial year as the new information is not available in time for this amended 'in-year' statement.

3. **The Remuneration of Chief Officers:**

- 3.1 There is now only one Chief Officer: the Corporate Director, who is also the Council's Section 151 Officer (a statutory Chief Officer role with responsibility for financial governance). The current pay structure for the Corporate Director is set out in Table C below. The table differs slightly from that published in the Statement earlier in the year because the Corporate Director received a pay award of 1.5% on 1 April 2017 in line with the local pay award applied to all employees.
- 3.2 The Corporate Director's role was evaluated by EELGA in May 2017 using the LGA Senior Managers' Job Evaluation Scheme. Taking account the increased number of departments being directly managed by the Corporate Director, the JE score indicated that the job remit had grown significantly and it was recommended that the Chief Officer pay band be amended to bring it in line with the new size of the role. This has been achieved by removing the bottom two points from the scale and adding two new points at the top, each of which represents an increase by £3,500 per annum. The new pay band is set out in Table D below.

TABLE C

Chief Officer Pay Scale 2017/18 incorporating 1.5% local pay award	
Scale Point	Salary
1	£94,203
2	£96,411
3	£98,620
4	£100,828
5	£103,037
6	£105,245

TABLE D

Revised Chief Officer Pay Scale 2017/18 recommended by EELGA	
Scale Point	Salary
1	£98,620
2	£100,828
3	£103,037
4	£105,245
5	£108,745
6	£112,245

3.2 Benefits in kind for 2016/17 included Health Care Insurance which is taxable at the rate of 40%, and reimbursement of the costs of a home telephone line dedicated to business purposes at a set rate of £45 per quarter. The healthcare insurance provision was not taken up in 2016/17 by the Corporate Director.

3.3 It is the Council's policy that the FTE salary package for the Corporate Director post, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than 4.5 x the average FTE salary of all employees in the workforce. The total pay of the Corporate Director is less than the maximum multiple of 4.5 times the average FTE salary notwithstanding the amendment to the Chief Officer pay band.

4. **The Remuneration of Heads of Service:**

4.1 There are seven Heads of Service currently in post: the Head of Partnerships and Community Engagement; the Head of Street Scene; the Head of Finance and Business Services; The Head of Legal and Democratic Services, the Head of HR and Customer Services; the Head of Planning and Economic Development; and the Head of Engineering and Asset Management.

4.2 The current pay structure for the Heads of Service is set out in Table E below. The table differs slightly from that published in the Statement earlier in the year because the Heads of Service received a pay award of 1.5% on 1 April 2017 in line with the local pay award applied to all employees.

TABLE E

Heads of Service Pay Scale 2017/18 incorporating 1.5% local pay award	
Scale Point	Salary
1	£67,250
2	£68,939
3	£70,630
4	£72,319
5	£74,009
6	£75,697

4.2 Benefits in kind include access to an interest free car loan facility. One Head of Service currently has an interest free car loan. There is no taxable benefit payable on this in respect of 2016/17 as it was under the legal limit of £10,000.

4.3 All of the Heads of Service job descriptions were evaluated by EELGA in May 2017 using the LGA Senior Managers' Job Evaluation Scheme. Taking account of the increased number of departments being directly managed by the Head of Street Scene and the Head of Partnerships and Community Engagement, the JE score indicated that these jobs had grown significantly and the difference was too large to be accommodated within the existing Head of Service pay band. It was therefore recommended that a new Head of Service 'Plus' pay band be established for these roles. The new pay band is set out in Table F below.

TABLE F

Heads of Service Plus Pay Scale 2017/18	
Scale Point	Salary
1	£78,197
2	£80,697
3	£83,197

4.4 It is the Council's policy that the FTE salary package for the established Head of Service posts, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than

3 x the average FTE salary of all employees in the workforce. This maximum is currently not being met by any of the post-holders on either the Head of Service Grade or the Head of Service Plus Grade. However, it is recommended that the multiple for the Head of Service Plus Grade be increased to 3.5 x the average FTE salary of all employees in the workforce to reflect the distinction from the Head of Service Grade.

5. **Remuneration of other staff in the Council**

- 5.1 **Pay and Benefits Policies:** A range of pay policies govern the remuneration of staff in posts other than those set out in paragraphs 2.1 to 4.4 above. Some of these apply to all such posts. For example, the Grading Review Procedure applies to all such posts. Others apply only to specific posts. For example, the Standby Scheme only applies to posts involving standby duties. For ease of reference, all those policies applying to all staff on PE Inbucon grades are listed first and those that apply only to specific posts or for which there are specific eligibility criteria are listed separately. These policies are available on the Council's website.

Policies applying to all staff on PE Inbucon grades:

- Grading Review Procedure
- Competency Based Pay Progression Policy
- Individual Salary Review Scheme
- Acting up Policy and Procedure

Policies applying to specific posts on PE Inbucon grades:

- Car Loan Policy
- Career Grade Scheme
- Mileage Rates
- Overtime Policy and Procedure
- Standby Scheme
- Subsistence Rates
- Telephone Rental Allowance

- 5.2 **Pay Scales:** The pay scales currently applying to staff in all posts, other than those set out in paragraphs 2.1 to 4.4 above, are set out in Table G below.

TABLE G

Pay scales 2017/18 incorporating 1.5% local pay award

GRADE	Min £	MRP £	Max £
1			
2			
3	50,375	57,244	66,342
4	45,064	51,208	59,193
5	39,240	44,588	51,410
6	34,512	39,217	45,098
7	30,286	34,410	39,365
8	26,763	30,410	34,787
9	23,538	26,747	30,518
10	20,744	23,573	26,824
11	18,249	20,736	23,535
12	16,061	18,249	20,656

5.3 **Job Grades and Evaluation:** The grade assigned to any post is determined with reference to the agreed job description for that post and assessment by a panel of trained evaluators using the PE Inbucon Job Evaluation Scheme. There is an agreed policy and process for the evaluation and grading of jobs and a Grading Appeal Procedure

5.4 **Pay Progression:** Since the Council opted out of the National Agreement on Pay there have been no automatic pay increments given on a 'time served' basis in the Council. Where an employee has been appointed on a salary below the level considered to be the market rate for the job (MRP) a competency assessment takes place before the third year of service in the role is completed and an adjustment may be made if there is evidence of full competence in the role. This is set out in the Competency Based Pay Progression Policy. In certain circumstances, an employee may be considered for progression beyond the market related point (MRP) for the job if they are carrying out additional responsibilities and the process for this is set out in the Individual Salary Review Scheme. However, it

should be noted that the maximum increase achievable through the Individual Salary Review Scheme is much smaller than the maximum allowable by either job evaluation or the Competency Based Pay Progression Scheme.

- 5.5 The pay progression policy does include provision for progression above the MRP for professionally qualified Planning Officers and Environmental Health Officers to address current recruitment and retention in these areas.
- 5.6 The average salary in the Council, calculated as the median salary in the range of salaries paid as at 31 December 2016, is £26,352. The average salary in the Council, calculated as the mean salary paid as at 31 December 2016, is £29,639.20. For the purpose of calculating the multiples referred to in paragraphs 2.4, 3.4, 4.5 above and 7.1 to 7.3 below, the mean salary value is used as the denominator. The average salaries will be recalculated on 31 December 2017 and published in the Pay Policy Statement 2018/19.

6. **Remuneration of the lowest paid employees in the Council**

- 6.1 Excluding apprentices, the lowest paid employees are those employees paid on Grade 12 (see Table G above). In defining the 'lowest paid employees', this statement has taken cognisance of the Pay Policy Statements Guidance from the JNC for Local Authority Chief Executives dated 25 November 2011, which recommends using the lowest pay point routinely used by the Council for a competent employee in a substantive role, calculated at full time equivalent. There are 38 employees on this grade and the lowest rate of pay for an employee assessed as being fully competent is the Market Related Point (MRP) of £18,249.
- 6.2 There is the scope for employees in Grade 12 to earn overtime at premium rates and thus increase their overall earnings. However, this is subject to the need arising and is not conditioned overtime, so is difficult to estimate accurately. Also, the lowest paid employees in Grade 12 tend to be in roles where there is less scope for overtime to be available. Overtime payments have therefore been excluded from the definition.

7. **Relationship between the remuneration of Chief Officers and the remuneration of other employees**

7.1 The relationship between the total pay of the highest paid officer in the Council, the Chief Executive and the average FTE salary of other employees in the workforce is less than the maximum multiple of 6.5 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, a multiple of less than 6.5 is both justifiable and equitable.

7.2 The relationship between the total pay of Chief Officers and the average FTE salary of all employees in the workforce, is less than the maximum multiple of 4.5 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, this multiple is both justifiable and equitable.

7.3 The relationship between the total pay of Heads of Service and the average FTE salary of all employees in the workforce is less than the maximum multiple of 3 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, this multiple is both justifiable and equitable. It is recommended that an increased multiple of 3.5 for the Heads of Service Plus pay band is both justifiable and equitable.

8. **Severance Payments**

8.1 Senior staff in the Council are treated in the same way as all other staff with regard to the calculation of severance payments in situations of redundancy. The policy on the calculation of redundancy payments is that a multiple of 2.2 is applied to the statutory calculator and based on actual pay, as distinct from the capped amount set in the statutory calculator.

8.2 With regard to severances under settlement agreements, which may be for reasons other than redundancy, e.g. voluntary severance or dispute resolution, the Chief Executive, as Head of the Paid Service, has delegated authority to conclude such agreements with staff below Head of Service level, following consultation with the Leader of the Council, the Chairman of the Personnel Committee and the Portfolio Holder with responsibility

for Human Resources. In agreeing the terms for such cases of severance, consideration is given to ensuring that the Wednesbury Principles are upheld i.e. that the costs are justifiable in light of the circumstances and that the proposed outcome is in the best interests of the authority and represents a proper use of public funds. Where appropriate, the Head of the Paid Service will consult the Council's Section 151 Officer and External Auditors on individual cases.

However, this delegation does not extend to cases involving staff at Head of Service level or above, and any such cases are reported to the Personnel Committee for agreement, subject to the Executive agreeing the financial implications.

8.3

As noted in the preamble to this statement, there has been one severance package over £100,000 since the 2017/18 Pay Policy Statement was issued. This arose from a decision taken by the full Council in January 2017 to reduce the number of Directors in the Senior Management Team from 2 to 1. The costs of the severance package for the chief officer made redundant were the subject of a vote by the Council in January 2017 and the severance took place at the end of April 2017. The unavoidable contractual costs as per the Council policy and the employee's contract of employment were £132,000 and associated costs totalling £27,000 were agreed to bring the matter to a conclusion and avoid any risk of greater costs arising from potential litigation. It is worth noting that the on-going savings from the reduction of Directors' posts are more than £150,000 per annum, which will offset the one-off severance costs in approximately one year.

8.4

The Council's policy with regard to the potential future re-employment of any officer who has previously been granted early retirement, whether on grounds of redundancy or some other grounds, is to assess such matters on a case by case basis.