

## **Appendix A**

### **Report to Council – 18 May 2016**

#### **Lambeth Pay Policy Statement Under the Localism Act**

**Policy Title: Pay Policy Statement 2016/17 (Remuneration for staff)**

#### **Policy Aim:**

Section 38(1) of the Localism Act requires local authorities to produce an annual Pay Policy Statement. This pay policy statement must be approved formally by the council meeting itself and can be amended in-year if necessary. The purpose of the statement is to provide transparency with regard to the councils approach to setting the pay of its employees (excluding those working in local authority schools). This Pay Policy Statement was noted by Corporate Committee on 28 January 2016 and approved by Council on 18 May 2016.

General understanding of the remuneration of local authority employees is not well developed, especially in the case of senior officers. Lambeth has therefore chosen to use the statutory pay policy statement to provide assurance that remuneration levels are and should be of interest to local citizens and tax payers at all times and generally should be more transparent. Good governance demands clear, open and transparent processes and mechanisms by which decision-makers can be held to account.

The Pay Policy Statement is published on the authority's' website and must be complied with when the local authority sets the terms and conditions for any officer.

In keeping with our cooperative council principles and our current economic situation, the aim of this policy is to articulate our well established and pre-existing pay, remuneration, pension and severance guidelines for all staff in a single document.

All officers must understand, adhere to and enforce our current terms and conditions with respect to recruitment, re-organisation, re-deployment and redundancy.

#### **Scope and Strategy:**

In determining the pay and remuneration of its employees, the council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Worker Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006. With regard to the Equal Pay requirements contained within the Equality Act, the council ensures that all pay arrangements can be objectively justified through the use of well established job evaluation methods.

Lambeth has set its own benchmarks in the way that officers are recruited, selected and retained – developed within our own collectively agreed employment policies and procedures.

We make thorough decisions with regard to selecting key people, remuneration in accordance with current market forces, managing future expectations of the council and supporting key people in line with a well reasoned and transparent remuneration package – based on compelling business case evidence.

We note that in line with other London Boroughs, we have already met the standard outlined in the Localism Act and have the expertise to maintain its principles of transparency.

### **Responsibilities:**

This policy applies to managers, HR officers and the Council as a whole. It applies to any officer who is responsible for appointing staff and their payment. No individual officer can make these decisions without reference to this overarching policy statement, the Localism Act and the previously published guidelines for the recruitment, retention or retirement of colleagues.

### **General Principles:**

1. For the purpose of this Pay Policy Statement “Chief Officers” are defined as including all chief and deputy chief officers within the Council as defined in section 2 of the Local Government and Housing Act 1989.
2. Full Council approves the appointment of the Chief Executive.
3. Full Council delegates the appointment of Chief Officers and Deputy Chief Officers to a Member panel (Appointments Committee or Appointments Sub-Committee)
4. The responsibility for determining the level of remuneration for the Chief Executive is delegated to the Director of HR&OD in consultation with the Leader, Deputy Leader and the Leaders of the opposition parties. Remuneration is based upon a salary range determined by an independent job evaluation process. The responsibility for determining the level of remuneration for Chief Officers and Deputy Chief Officers is delegated to the Chief Executive in consultation with the relevant Cabinet Member and the Director of HR&OD. Remuneration is based upon a salary range determined by an independent job evaluation process. The determination of the level of remuneration for all other staff, including posts attracting salaries in excess of £100,000 per annum is based solely upon a salary range determined by an independent job evaluation process. Discretion on the precise salary level can therefore only be made within the evaluated grade for the role. In most cases this will be the minimum point of the salary scale unless there are compelling and evidence based reasons to do otherwise. Yearly cost of living increases are negotiated nationally. The Council does not apply any bonuses or performance related pay to any of its staff, including the Chief Executive, Chief Officers and other senior officers.
5. All jobs (including those attracting salaries in excess of £100,000 per annum) are evaluated by independent and qualified people using either the Hay Group Management Ltd resource (for Chief and Deputy Chief Officers) or the Greater London Provincial Council (for all other grades). These are well established processes for setting the benchmark for job descriptions, evaluation of roles, the grading of posts and the appropriate remuneration. Government legislation allows schools to determine their own pay arrangements for staff. In determining its grading structure and setting overall pay levels for all posts the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community in an effective, efficient and collaborative way.

6. From time to time it may be necessary to pay special allowances or supplements to individual employees as part of their employment contract where specific circumstances require this and where it can be justified in accordance with Council policies. Such allowances are negotiated nationally or locally through collective bargaining arrangements and/or as determined by council policy. Our recruitment, retention and market supplements – usually associated with ‘hard to fill’ posts - will be based on the current financial and skills requirements of the Council. We will review all functions that attract these allowances using evidence and only when a compelling business case can be made. Where appropriate and necessary therefore, we may approve remuneration at another level.
7. From time to time it may be necessary for the council to engage consultants to undertake time limited pieces of work. The payment of consultants in these circumstances is strictly managed by the Council in accordance with its Supplier Contract Management through a Neutral Vendor arrangement. Any such engagements are reviewed on a regular basis.
8. We will continue to benchmark and evaluate existing job grades and posts with London Councils in order to keep pace with market and austerity forces.
9. The job grade and level of remuneration will remain in accordance with the function of the role.
10. All discretionary benefits under the Local Government Pension Scheme will be in accordance with our published guidelines.
11. The employee contribution to the pension scheme is dependent on the annual salary. There are 9 different contribution banding rates between 5.5% and 12.5% depending on actual pensionable pay. Lambeth's employer contribution to the pension fund for all contributing members of staff is 16.8%.
12. The Councils approach to statutory and discretionary payments on termination of employment of all staff, including Chief and Deputy Chief Officers, prior to reaching normal retirement age, is in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. The council's current policy is set out in the Voluntary Redundancy and Enhanced Severance Scheme “Financial Terms for Termination of Employment on the Grounds of Redundancy”. A copy of the Scheme is attached as Appendix 1 to this Pay Policy Statement.
13. On ceasing to hold office all staff, including Chief Officers and Deputy Chief Officers will receive their contractual entitlements in relation to notice pay, redundancy pay, accrued annual leave, pension etc. No non contractual payments will be made on termination of a contract of employment of any employee, including Chief Officers or Deputy Chief Officers unless there is a sound and robust business case for doing so. Any termination payment paid to a Chief Officer or Deputy Chief Officer must be approved by the Strategic Director Corporate Resources in accordance with the Council's Scheme of Delegation. It is the policy of the Council that all staff, (including Chief Officers and Deputy Chief Officers), leaving the Council on the grounds of redundancy or early retirement should not be re-employed as a consultant or agency worker within one year from their last day of service.

From 1 April 2016 new legislation is proposed regarding the recovery of public sector exit payments where an employee subsequently returns to a public sector employer, either as a direct employee or indirectly as an agency worker/interim/consultant. For staff leaving the Council on or after that date and who earn £80,000 per annum or more there will be new payment recovery restrictions in place. These will apply to redundancy and severance payments and to payments by the employer to the Local Government Pension Scheme that occur when an employee leaves with immediate access to full pension rights. The broad effect of the new legislation will be that any redundancy, severance and payments made to the Local Government Pension Scheme in relation to staff earning £80,000 or more per annum will be subject to recovery on a tapered basis, with the repayment liability reducing proportionately over the period of one year after the termination date.

14. From a date to be determined, (but not before 1 October 2016), new legislation is proposed which will have the effect of capping at £95,000 the total amount of redundancy and other exit payments that an employee can be paid when leaving the public sector.

The cap will apply to staff at all levels and include any payments made by the employer to a pension fund to compensate for the employee's early access to their pension benefits. The key elements which will be caught by the cap will be:

- Pay in lieu of notice;
  - Redundancy payments (including any enhancements over and above statutory limits);
  - Other severance payments (including ex-gratia and special severance payments, whether or not as part of an Employment Tribunal claim);
  - The employer cost of funding redundancy and efficiency retirements as well as other voluntary early retirements (i.e. "funding strain")
15. For the purposes of this Pay Policy "lowest paid employees" of the Council are defined as those on the lowest pay point in use by the Council. The Council measures the relationship between the remuneration of its lowest paid employees and the Chief Executive using a pay multiple in accordance with the statutory guidance issued under s.40 of the Localism Act. Lambeth Council is a fully accredited living wage employer.

Information on the pay multiple, senior salaries and severance payments as highlighted in this report is attached at Appendix 2 to this Pay Policy Statement.

## **Governance**

- The Pay Policy Statement is reviewed annually and submitted to Corporate Committee for noting and Council for approval. In the interests of improving accountability and transparency, all appointments made to posts attracting remuneration in excess of £100,000 per annum and all severance packages in excess of £100,000 shall be highlighted.
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