

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ADMINISTRATION COMMITTEE – 12 FEBRUARY 2014

FULL COUNCIL – 5 MARCH 2014

REPORT OF THE BI-BOROUGH DIRECTOR FOR HUMAN RESOURCES AND THE JOINT CHIEF EXECUTIVE AND TOWN CLERK

PAY POLICY 2014/15

Recommends that the Administration Committee asks the Council to approve the pay policy for 2014-15 as set out in Appendix 1.

FOR DECISION

1 INTRODUCTION

- 1.1 Under Section 38(1) of the Localism Act 2011, the Council is required to prepare a pay policy statement for each financial year. The pay statement for 2014-15 must be approved by the full Council by the end of March 2014 and the policy must be published on the Council's Internet site. 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, 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.
- 1.3 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.

- 1.4 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.
- 1.5 The pay policy must also deal with a number of aspects of re-employment 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 re-employed on a contract for services.
- 1.6 Appendix 1 attached sets out the proposed policy for the Royal Borough.
- 1.7 The Council must, in setting pay policy statements have regard to any guidance issued by the Secretary of State for Communities and Local Government. This includes The Code of Recommended Practice for Local Authorities on Data Transparency (September 2011) and guidance under section 40 of the Localism Act of February 2012 and February 2013. Due regard has been had to the guidance in the preparation of this policy.
- 1.8 The policy statement must be approved by a resolution of Full Council before it comes into force. Once in force it must be complied with, although it may be amended by Full 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 PROPOSAL AND ISSUES

- 2.1 The Government guidance for local authorities on the preparation of a pay policy recommends the calculation and publication of an authority's pay multiple. That is the relationship between the median salary in the organisation and the salary of its highest paid officer.
- 2.2 The median salary is defined as that salary point at which there are an equal number of salary points above and below it. The highest paid officer in the Royal Borough is the Joint Chief Executive.

- 2.3 The salary of the highest paid officer is divided by the median salary to arrive at the pay multiple. At the start of 2014-15, this ratio will be 5.5. This is a reduction from 6.6 in 2013-14 resulting from the appointment of the new Joint Chief Executive, on an interim basis, at a lower salary.

3 EQUALITY IMPLICATIONS

- 3.1 None.

4 LEGAL IMPLICATIONS

- 4.1 The statutory requirement created by Chapter 8 of Part 1 of the Localism Act 2011 (Sections 38-43) are summarised in the report and the policy. The policy complies with the statutory obligations.
- 4.2 The Council's Chief Solicitor has checked and verified the policy and has no further comments.

5 FINANCIAL AND RESOURCES IMPLICATIONS

- 5.1 This report sets out the status quo on pay within the Council, therefore there are no financial implications arising from the report.

6 RECOMMENDATIONS

- 6.1 That the Administration Committee recommends the Council to approve the pay policy and its appendices for 2014-15 as set out in Appendix 1 attached.
- 6.2 That the Administration Committee recommends the Council to endorse the pay schemes attached at Appendix 1 of the pay policy and the Statement of Local Employer Pension Policy (if approved by the Administration Committee and the Council) attached at item A5.

Debbie Morris
Bi-Borough Director for Human Resources

Nicholas Holgate
Joint Chief Executive and Town Clerk

Background papers:

Localism Act 2011

Openness and Accountability in Local Pay – Guidance under section 40 of the
Localism Act from Communities and Local Government

The Code of Recommended practice for Local Authorities on Data Transparency

Council Pension Policy

Council guidance on performance related (retained pay)

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PAY POLICY STATEMENT

ROYAL BOROUGH OF KENSINGTON AND CHELSEA (RBKC)

1.0 Fairness and Transparency

The Royal Borough 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 publishing this statement to ensure transparency and fulfil its obligations under section 38(1) of the Localism Act 2011.

2.0 Vision and Values

- 2.1 As well as the Council's vision for its services, it has developed a set of values for its staff. In addition, managers have a document which sets out the behaviour which the Council requires employees to demonstrate.
- 2.2 The vision, values, key 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 (retained) pay.
- 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.

3.0 Pay Design

- 3.1 Most of the Council's staff have salaries which are set by national pay bargaining through the Greater London Provincial Council (GLPC). However, the Council decided that, in order to retain staff, it would combine pay scales into longer salary ranges. There are six of these – from Range A1 to Range E. Progression through the range is by increments and is related to satisfactory service. All staff have an annual performance appraisal.
- 3.2 In addition, most senior staff, including chief officers, have separate, locally determined salary ranges which include an element of performance related (retained) pay. Each year, subject to satisfactory performance and achievement of targets, these staff can move through their pay range and receive a performance related consolidated increase (subject to not having reached the maximum of

their pay range) and an unconsolidated payment linked to achievement of targets. Both the nationally negotiated pay ranges and the performance related (retained) pay scheme pay ranges are set out in the attached appendix A.

- 3.3 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 this is done through a scheme developed some years ago for all councils in London. In relation to locally determined ranges the scheme is that devised by HAY management consultants. The emphasis in the HAY job evaluation scheme is different to the GLPC scheme in that there is more emphasis on the size of the job and this is measured by reference to three elements, knowhow, problem solving and accountability.
- 3.4 In addition to these annual salaries, the Council can choose to pay extra sums to staff to recognise market pressures or additional work undertaken. These may be pay supplements, acting-up allowances or honoraria.
- 3.5 Currently the Council pays market supplements to some social workers in specialist areas
- 3.6 Starting salaries within pay ranges are determined by reference to market rates and an individual's existing salary.
- 3.7 Those officers who have statutory positions in relation to elections i.e. Returning Officer/ Acting Returning Officer and Deputies also receive a fee in recognition of these roles. This fee reflects the advisory fee set for each election by the Ministry of Justice. There are also fees paid to staff 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.
- 3.8 The Council has a number of shared senior management posts and where these are in place the remuneration is shared between the parties to the shared service agreement.

4.0 Other Rewards

The Council tries to adopt best practice and allow for market forces when determining additional benefits for its staff. In addition, it acknowledges that benefits are an important part of a recruitment package. All staff are therefore entitled to receive a range of benefits which the Council either provides or has negotiated. These range from childcare and bike to work salary sacrifice schemes, training support and outplacement support, including career counselling for staff made redundant, to an interest free travel loan and travel card.

5.0 Pension and severance payments

- 5.1 A week's pay for the purposes of calculating a statutory redundancy payment is calculated in accordance with sections 220 to 229 of the Employment Rights Act 1996 and the Council exercises discretion to waive the statutory weekly pay limit. A week's pay is calculated in accordance with the provision of the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations 2006. The actual amount of a week's pay is based on the pay received in the 12 weeks before termination. For maternity leave, long term sick leave or unpaid leave the week's pay will be based on the last full 12 weeks.
- 5.2 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.
- 5.3 Staff are entitled to join the Council's pension scheme and will receive their pension at their normal retirement age. Pension payments will be released early in certain circumstances including redundancy and ill health retirements provided the appropriate criteria of the local pension policy are met. There is a separate policy on pension payments which is attached as appendix B.
- 5.4 Arising from the auto-enrolment regulations, a change took effect to joining arrangements from 1 April 2013; new starters will be enrolled into the LGPS, subject to certain conditions, unless they choose to opt out. Staff who opted out of the Local Government Pension Scheme (LGPS) before 1 April 2013 will not be auto-enrolled until 1st October 2017 but may opt to join the LGPS at any time.

- 5.5 Under the LGPS, certain staff may request flexible retirement whereby they can retire early and continue to work on a part-time basis. 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 Where an employee of the Council is made redundant and is in receipt of a pension from the Teachers Pension Scheme and is re-engaged by a school, their pension is subject to reduction or suspension. Individuals would need to check their specific circumstances with Teachers Pensions. If an employee is in receipt of a pension from the LGPS, the rules of that scheme will apply and their pension may be subject to reduction or suspension in accordance with the policy of the authority that is paying the pension.

6.0 Publication and Access to Remuneration of Chief Officers

The Council publishes details of remuneration of Chief Officers in the Annual Statement of Accounts and on the Council's Internet site. The Council also publishes information about the level of remuneration of other senior staff on its Internet site. This information is published for all staff earning £58,200 per annum and above.

7.0 Definitions

- 7.1 The pay ranges for senior staff reflect the need to recruit and retain good staff. Annual increases for these staff reflect the nationally agreed salary increases.
- 7.2 The Localism Act requires the Council to define its lowest paid employee. As set out in Appendix A, this is an employee paid on salary point 4 of the national salary range. This equates to £8.09 an hour for someone working a 36 hour week. (The National Minimum Wage is currently £6.31 an hour and the London Living Wage, which the Council has decided not to adopt, is £8.80 an hour). The Council will

keep its policy with regard to its lowest paid under review. The Council has commenced an intern scheme in association with the University of London, which pays at the National Minimum Wage.

- 7.3 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 5.5. At present the Authority deems this multiple to be appropriate and within an acceptable ratio of 10:1. The policy with regard to the pay multiple will be kept under review.

8.0 Remuneration Committee

The Council does not have a specific remuneration committee to advise on pay policy including the setting of senior salaries. The Administration Committee performs this role and advises on the setting of local senior salaries

9.0 Council Role

- 9.1 The Council will agree all proposed remuneration packages for new appointments, including performance related pay and fees, in excess of £100,000. This responsibility is delegated to the Administration Committee.
- 9.2 Severance payments made by the Royal Borough of Kensington and Chelsea will be in accordance with Section 5 of this policy statement and the Statement of Local Employer Pension Policy appended.

Appendix A

Greater London Provincial Council (GLPC) INNER LONDON PAY SPINE									
Salary Ranges effective from 1st April 2013									
Spinal Point (scp)	NJC scp value		GLPC Pay						
	£		£						
2	N/A	N/A	14952	Range A1 Sc1-Sc2					
3	N/A	N/A	15063	Scale 1					
4	12266	2920	15186	4	15186				
5	12435	3024	15459	5	15459				
6	12614	3256	15870	6	15870				
7	12915	3351	16266	7	16266				
8	13321	3347	16668	8	16668				
9	13725	3339	17064	9	17064	Scale 2			
10	14013	3339	17352	10	17352	10	17352		
11	14880	3330	18210	11	18210	11	18210		
12	15189	3336	18525			12	18525	Range A2 Sc3-Sc4	
13	15598	3320	18918			13	18918	Scale 3	
14	15882	3339	19221			14	19221		
15	16215	3333	19548			15	19548		
16	16604	3325	19929			16	19929		
17	16998	3330	20328			17	20328	Scale 4	
18	17333	3331	20664				18	20664	
19	17980	3332	21312				19	21312	
20	18638	3331	21969				20	21969	Range B Sc5-Sc6
21	19317	3330	22647				21	22647	Scale 5
22	19817	3331	23148				22	23148	
23	20400	3330	23730				23	23730	
24	21067	3332	24399				24	24399	
25	21734	3334	25068				25	25068	Scale 6
26	22443	3327	25770					26	25770
27	23188	3335	26523					27	26523
28	23945	3334	27279					28	27279
29	24892	3332	28224						Range C SO1-SO2
30	25727	3331	29058						SO1
31	26539	3329	29868	Range D PO1-PO3					
32	27323	3325	30648	P01					
33	28127	3337	31464	33 31464					
34	28922	3331	32253	34 32253 P02					
35	29528	3328	32856	35 32856 35 32856					
36	30311	3328	33639	36 33639 36 33639					
37	31160	3334	34494	37 34494 P03					
38	32072	3334	35406	38 35406 38 35406					
39	33128	3328	36456	39 36456					
40	33998	3331	37329	40 37329					
41	34894	3335	38229	41 38229					
42	35784	3336	39120	Range E P04-P05					
43	36676	3341	40017	P04					
44	37578	3333	40911	41 38229					
45	38422	3332	41754	42 39120					
46	39351	3330	42681	43 40017 P05					
47	40254	3330	43584	44 40911 44 40911					
48	41148	3336	44484	45 41754					
49	42032	3328	45360	46 42681					
				47 43584					

Hay Ranges 2013

Grade	Grade Minimum	Grade Mid Point	Grade Maximum
HMGN001	£ 155,000.00	£ 170,000.00	£ 185,000.00
HMGN003	£ 109,700.00	£ 129,000.00	£ 148,400.00
HMGN005	£ 104,900.00	£ 123,400.00	£ 141,900.00
HMGN011	£ 100,500.00	£ 118,200.00	£ 135,900.00
HMGN021	£ 88,700.00	£ 104,300.00	£ 119,900.00
HMGN025	£ 84,600.00	£ 99,500.00	£ 114,400.00
HMGN031	£ 82,700.00	£ 97,300.00	£ 111,900.00
HMGN033	£ 77,900.00	£ 91,600.00	£ 105,300.00
HMGN035	£ 77,500.00	£ 91,200.00	£ 104,900.00
HMGN039	£ 74,400.00	£ 87,500.00	£ 100,600.00
HMGN041	£ 72,000.00	£ 84,700.00	£ 97,400.00
HMGN051	£ 68,500.00	£ 80,600.00	£ 92,700.00
HMGN061	£ 66,200.00	£ 77,900.00	£ 89,600.00
HMGN066	£ 62,300.00	£ 73,300.00	£ 84,300.00
HMGN071	£ 60,500.00	£ 71,200.00	£ 81,900.00
HMGN081	£ 58,300.00	£ 68,600.00	£ 78,900.00
HMGN091	£ 54,800.00	£ 64,500.00	£ 74,200.00
HMGN101	£ 51,200.00	£ 60,200.00	£ 69,200.00
HMGN111	£ 48,100.00	£ 56,600.00	£ 65,100.00
HMGN121	£ 45,200.00	£ 53,200.00	£ 61,200.00
HMGN131	£ 42,500.00	£ 50,000.00	£ 57,500.00
HMGN141	£ 39,900.00	£ 46,900.00	£ 53,900.00
HMGN151	£ 38,000.00	£ 44,700.00	£ 51,400.00
HMGN161	£ 36,000.00	£ 42,300.00	£ 48,600.00
HMGN171	£ 33,900.00	£ 39,900.00	£ 45,900.00
HMGN181	£ 32,200.00	£ 37,900.00	£ 43,600.00
HMGN191	£ 30,900.00	£ 36,300.00	£ 41,700.00
HMGN201	£ 29,400.00	£ 34,600.00	£ 39,800.00
HMGN211	£ 28,100.00	£ 33,000.00	£ 38,000.00
HMGN221	£ 26,800.00	£ 31,500.00	£ 36,200.00
HMGN231	£ 25,800.00	£ 30,300.00	£ 34,800.00
HMGN241	£ 24,800.00	£ 29,200.00	£ 33,600.00
HMGN251	£ 23,700.00	£ 27,900.00	£ 32,100.00
HMGN261	£ 20,700.00	£ 24,300.00	£ 27,900.00

Performance related (retained pay) is made up of two elements:

Overall effectiveness where a pay award leads to a consolidated increase subject to the maximum of the range not having been reached:

0%	Limited effectiveness
1%	Generally effective
1.5%	Consistently effective`
2%	Highly effective
2.5%	Exceptional

And an unconsolidated payment linked to achievements of targets:

0%	Targets not achieved
3%	Most targets achieved
5%	All targets achieved
10%	Exceptional