

Introduction and Purpose

1. The purpose of this statement is to set out the council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying:
 - the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior staff (chief officers), as defined by the relevant legislation;
 - who is responsible for ensuring the provisions set out in this statement are applied consistently throughout the council, and for recommending any changes to council.
2. Once approved by Council, this policy statement will come into immediate effect and will be subject to annual review.

Legislative Framework

3. Section 38(1) of the Localism Act 2011 requires local authorities to produce an annual pay policy statement.
4. Under section 112 of the Local Government Act 1972, the council has the 'power to appoint officers on such reasonable terms and conditions as the authority thinks fit', subject to the provisions of section 41 of the Localism Act (namely for decisions in relation to terms and conditions of chief officers to comply with the pay policy statement).
5. In determining the pay and remuneration of all of its employees, Herefordshire Council will comply with all relevant employment legislation. With regard to the equal pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Organisational context

As a result of the changes to the national and local structure of NHS organisations brought about by the Health and Social Care Act 2012, work has been underway throughout 2012 to disaggregate the integrated management arrangements which had been developed between Herefordshire Council and NHS Herefordshire. As part of this work, in November Council appointed a new Chief Executive who took up post on 1 March; Council also approved a new corporate plan.

The council is reaching the end of a three year transformation programme, *Rising to the Challenge*, which aims to deliver:

- Greater integration
- Increasing efficiency and productivity
- Managing with less funding
- Better outcomes for Herefordshire residents

In response to national funding cuts and service pressures, the council has, over the last two years, reduced spending by approximately £21 million, protecting frontline services by, where possible managing reductions through efficiency measures. For example we have reduced our employees by 281 and have set up the shared services company Hoople Ltd, to deliver human resources, financial services and IT functions in partnership with other organisations.

A key element of the *Rising to the Challenge* programme is a series of fundamental reviews of services known as 'root and branch' reviews which are commissioned, or directly provided by Herefordshire Council. The root and branch reviews inform how Herefordshire Council is meeting the significant financial challenges facing local public services, by redefining the role of the council and other public services; setting out the priorities for the next decade; and rebuilding budgets with clear links between spend and results. Workforce resources will need to align to delivery of these priorities.

Pay Structure / National Frameworks

6. Herefordshire Council is committed to fair pay and grading determined by a robust and objective job evaluation process. The *National Job Evaluation Scheme* is used for all posts up to HC7 and the *Hay Job Evaluation Scheme* for all posts above this level.
7. Based on the application of the job evaluation process, the council uses the nationally negotiated pay spine (attached at Appendix 1) as the basis for its local pay rates in relation to job grades. This determines the salaries of the large majority of the non school based workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009.
8. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and or as determined by council policy. In determining its grading structure and setting remuneration 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, delivered effectively and efficiently and at times at which those services are required.
9. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate.
10. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. In accordance with the council's policy on market forces, where this is necessary the council will ensure the requirement for such a market forces supplement is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Any market forces supplement will be payable for a pre-determined fixed period and will be subject to ongoing review.
11. The council does not make use of performance related pay for any of its employees.
12. The council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

The Employment Panel is recommending that the council's position on the lowest paid workers being moved from the national minimum wage to the Living Wage should be included in the wider planned consultation exercise with regards our organisations 'Total Reward' package. See item 31 for further details.

Senior Management Remuneration

13. For the purpose of this statement 'senior management' means 'chief officers' as defined within section 43 of the Localism Act. The posts falling within this definition are listed below, with details of their remuneration (excluding standard pension contribution) as at 1st January 2013.

Post	Salary	Other Financial Benefits	Total Remuneration
Chief Executive (<i>Head of Paid Service</i>)	£145,000	None	£145,000
Director of Corporate Services	£130,000	None	£130,000
Director for People's Services (<i>Director of Adult Social Services; Director of Children's Services</i>)	£120,000	None	£120,000
Director for Places and Communities	£120,000	None	£120,000
<i>Director of Public Health</i>	£97,478	None	£97,478
Asst. Director – Children and Young People's Provider Services	£78,231	None	£78,231
Asst. Director – People's Services Commissioning	£78,231	None	£78,231
Asst. Director – Economic, Environmental and Cultural Services	£76,176	None	£76,176
Asst. Director – Place Based Commissioning	£76,176	None	£76,176
Asst. Director – Homes and Community Services	£76,176	None	£76,176
Asst. Director of Law, Governance and Resilience (<i>Monitoring Officer</i>)	£90,000	None	£90,000
Asst. Director People, Policy and Partnerships	£78,231	None	£78,231
Chief Officer, Finance & Commercial Services (<i>Section 151 Officer</i>)	£90,000	None	£90,000

NB: Italics indicate statutory postholder functions

Additions to Salary of Chief Officers

14. The Chief Executive is the Returning Officer for Herefordshire. No additional payments are made for fulfilling this duty.
15. The council does not apply any bonuses, pension enhancements (subject to para. 22 below) or performance related pay at this time to its chief officers or to other staff within its workforce. No other pay benefits are paid to chief officers at the time of producing this statement. There is a planned review of pay and reward over the next few months.

Recruitment of Chief Officers

16. Herefordshire Council's rules with regard to employment of staff are set out within the Employment Rules contained within section 4.9 of the Constitution, available at the following link:
http://www.herefordshire.gov.uk/docs/K_004_Part_4_Procedure_Rules_15Jul11.pdf
17. Where the council remains unable to recruit chief officers under a contract of employment, or there is a need for interim support to either provide cover for a vacant substantive chief officer post, or on a short-term basis to enable the delivery of specific priorities aligned to the Corporate Plan where these do not require a permanent addition to the establishment, the council will consider and utilise engagement of individuals under 'contracts for service'. These will be sourced through a relevant procurement process in accordance with the council's contracts procedure rules, ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service
18. Herefordshire Council currently engages two interim Assistant Directors in the People's Services Directorate under the arrangements detailed in paragraph 17 above. Any officer previously employed by Herefordshire Council in receipt of a severance or redundancy payment when their employment ceases may not be re-employed by the authority (including under a contract of services or as an agency worker) until a period of at least three months has elapsed.
19. Any officer appointed to the council who has been made redundant within the previous two years from an organisation covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (as amended) (which applies to local authorities and related bodies) will have their previous continuous service taken into account for the purpose of calculating annual leave, sick pay, maternity / paternity entitlements. For the purpose of redundancy, the calculation of service would be the date of return to Herefordshire Council.

Payments on Termination

20. The council's policy on termination of employment of employees prior to reaching normal retirement age, in accordance with regulations 5 & 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended), is to base redundancy payments on 'actual weeks pay', and to pay an enhanced lump-sum redundancy payment. This enhanced payment will be calculated by multiplying by 1.5 the number of weeks statutory redundancy that would apply to the employee taking into account relevant continuous local government service and age. (NB Statutory redundancy pay is therefore included in the enhanced payment.). This may, at the discretion of the relevant accountable body (see para 29 below) be increased to a maximum multiplier of up to 2. An alternative to enhancement may be approved, namely to augment service

within the Local Government Pension Scheme at the rate of 1 year/5 years relevant service to a maximum of 4 years. This policy will be included within the pay and reward review.

21. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made in accordance with the relevant process as set out in the council's Employment Rules (see para 29 below).

Pensions

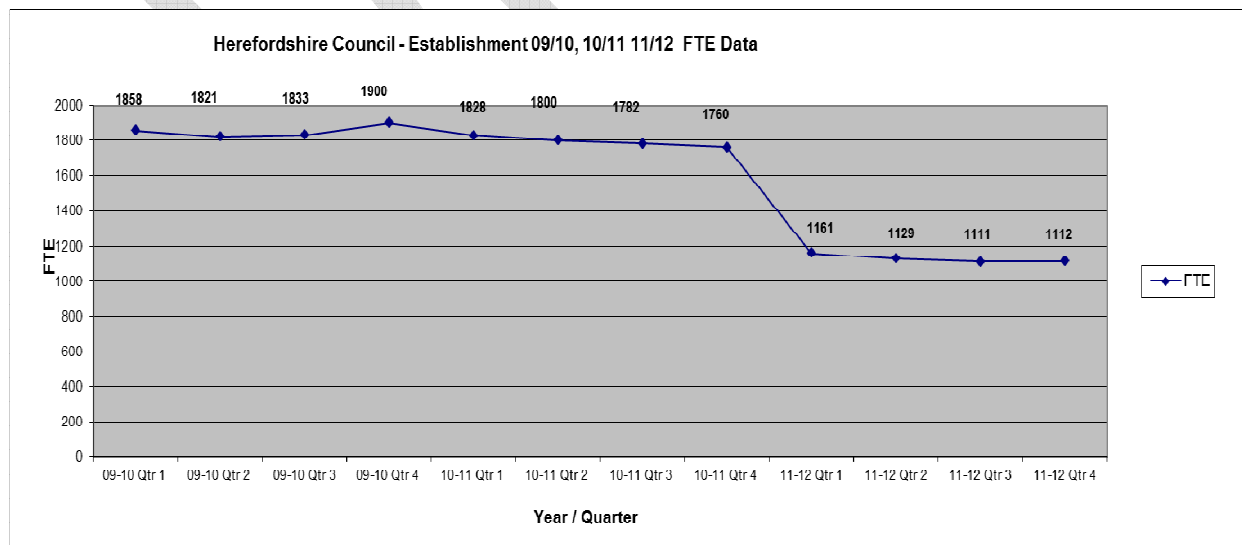
22. Subject to qualifying conditions, employees have a right to join the nationally determined Local Government Pension Scheme. The employee contribution rates, which are defined by statute, are as of 1st April 2013:

Whole Time Pay Rate	Contribution Rate
Up to £ 13,500	5.5%
£ 13,501 to £15,800	5.8%
£ 15,801 to £ 20,400	5.9%
£ 20,401 to £ 34,000	6.5%
£ 34,001 to £ 45,500	6.8%
£ 45,501 to £ 85,300	7.2%
More than £85,300	7.5%

23. The employer contribution rates are set by actuaries advising the pension fund; these are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate, as of 1st April 2013 is 22.5%.

Broader Workforce perspective

24. The overall spend of Herefordshire Council is approximately £350 million. Approximately £38.5 million is spent on employing the non-schools workforce in relation to basic salaries (including national insurance and superannuation) of directly employed staff to which this policy relates. As at 1 January 2013 (the most recent data available at time of drafting) there were 1076 full-time equivalent (fte) posts across the organisation. The table below shows the workforce reduction since 2009/10.



25. As at 1 January 2013, the median basic salary was £22,221 (excluding national insurance and superannuation). The previous year stated a mean average salary of £31,900 which was inclusive of national insurance and superannuation. The median chief officer salary is £90,000.
26. For the purpose of this Pay Policy Statement, and in accordance with the provisions of section 38 of the Localism Act, Herefordshire Council defines “lowest paid employees” as those paid on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the council’s grading structure. As at 1st April 2013, this is SCP 7 £12,787 per annum – there is one person paid at this level which has reduced from 5. The council employs apprentices who are not included within the definition of ‘lowest paid employees’.
27. The current pay levels within the council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive as 1:11 which was 1:14 twelve months ago and; between the lowest paid employee and average chief officer as 1:8. The multiple between the median full time equivalent earnings and the Chief Executive is 1:6 and; between the median full time equivalent earnings and median chief officer is 1:4. The multiple between the median salary grade and the Chief Executive is 1:7.

Accountability & Decision Making

28. In accordance with the council’s Constitution, the Employment Panel (in respect of the Chief Executive, Monitoring Officer, Section 151 Officer, Deputy Chief Executive and Directors) or the Chief Executive (all other employees) is responsible for decision-making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the council.
29. For those pay accountability matters identified within the Localism Act as being reserved to Council, the Employment Panel will be the body accountable for formulating recommendations to Council including the undertaking of an annual review of this statement before recommending its approval to Council as one of the suite of documents Council approves as part of its Medium Term Financial Strategy. The Pay Policy Statement therefore forms part of the Budget & Policy Framework of the council.
30. In addition to approval of this statement, the right of approval of new salary packages over £100,000 is reserved to Council. In such circumstances the Employment Panel will be the body accountable for developing recommendations to Council.

Pay and Reward review

31. During the year 2012/13, the authority has been through a significant period of change. To support the delivery of the refreshed corporate plan approved by Council in November, the authority has developed a Workforce Strategy that sets out the workforce priorities for 2013-2015. A key element of this strategy is related to Pay and Reward which will be reviewed early in 2013/14.
32. The scope of this review includes all aspects of pay and reward policies, in line with the workforce outcomes described in the Workforce Strategy and will consider the views and feedback from key stakeholders including staff and trade unions in formulating any options and proposals that are then formally consulted on, agreed and implemented.

Publication

33. After approval by Council, this statement will be published on the council's website. In addition, for senior officer posts where the full time equivalent salary is at least £50,000, the council's Annual Statement of Accounts (available at the following link: http://www.herefordshire.gov.uk/council_gov_democracy/council/1858.asp) includes a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

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PAY STRUCTURE AS AT 1.4.10 - NATIONAL JOINT COUNCIL FOR LOCAL
GOVERNMENT GRADES

Grade	National SCP (scp50 & above are local)	Annual Pay Rate	Hourly Pay Rate
HC1	4	12145	6.30
	5	12312	6.38
	6	12489	6.47
	7	12787	6.63
HC2	7	12787	6.63
	8	13189	6.84
	9	13589	7.04
	10	13874	7.19
HC3	10	13874	7.19
	11	14733	7.64
	12	15039	7.80
	13	15444	8.01
HC4	13	15444	8.01
	14	15725	8.15
	15	16054	8.32
	16	16440	8.52
HC5	17	16830	8.72
	18	17161	8.90
	19	17802	9.23
	20	18453	9.56
	21	19126	9.91
HC6	21	19126	9.91
	22	19621	10.17
	23	20198	10.47
	24	20858	10.81
	25	21519	11.15
	26	22221	11.52
HC7	26	22221	11.52
	27	22958	11.90
	28	23708	12.29
	29	24646	12.77
	30	25472	13.20
	31	26276	13.62
HC8	31	26276	13.62
	32	27052	14.02
	33	27849	14.43
	34	28636	14.84
	35	29236	15.15
	36	30011	15.56
HC9	36	30011	15.56
	37	30851	15.99
	38	31754	16.46
	39	32800	17.00
	40	33661	17.45
HC10	41	34549	17.91
	42	35430	18.36
	43	36313	18.82
	44	37206	19.28
	45	38042	19.72
HC11	46	38961	20.19
	47	39855	20.66
	48	40741	21.12
	49	41616	21.57
	50	42747	22.16
HC12	51	43905	22.76
	52	45099	23.38
	53	46328	24.01
	54	47584	24.66
	55	48876	25.33
HC13	56	50206	26.02
	57	51570	26.73
	58	52972	27.46
	59	54412	28.20