

## **Hampshire Fire and Rescue Authority**

**HR Committee**

**Item 6**

**27 January 2016**

**HFRS Pay Policy Statement (2016/17), introduction of the National Living Wage and the £95,000 cap on Exit Payments**

**Report by Lead HR Business Partner**

Contact: Sandy Gregory – email [sandy.gregory@hants.gov.uk](mailto:sandy.gregory@hants.gov.uk)

### **1. Summary**

#### **1.1 Pay Policy Statement**

1.1.1 Relevant authorities are required by section 31(1) of the Localism Act 2011 (openness and accountability in local pay) to prepare a Pay Policy Statement. Hampshire Fire and Rescue Service (HFRS) falls within the definition of a relevant authority and as such is required to prepare and publish a Pay Policy Statement (Appendix A).

1.1.2 A Pay Policy Statement for a financial year must set out the authority's policies for the financial year relating

- the remuneration of its chief officers,
- the remuneration of its lowest-paid employees, and
- the relationship between the remuneration of its chief officers, and the remuneration of its employees who are not chief officers.

1.1.3 Under the terms of the Localism Act 2011, the Pay Policy Statement must be considered at a full meeting of the Hampshire Fire and Rescue Authority (HFRA) and cannot be delegated to any sub-committee. Therefore, if supported by the HR Committee, the paper and attached pages will be presented at the next available HFRA meeting in order to meet statutory requirements in the coming financial year.

1.1.4 Approved Pay Policy Statements must be published on Hampshire Fire and Rescue Service's website as soon as is reasonably practicable after they are approved or amended.

#### **1.2 National Living Wage**

1.2.1 The introduction of the National Living Wage (NLW) for all workers aged 25 and above will be introduced on 1 April 2016. The new NLW will begin at a rate of £7.20 per hour and will impact on HFRS' "lowest paid employees" as they currently sit at Grade A, which pays less than this rate. However, Grade A is currently only used for payment of apprentices who are aged under 25 and therefore are not eligible for the NLW. Therefore, there will not be an increase to the HFRS total pay bill as a result of implementing the NLW.

1.2.2 The Low Pay Commission will submit a report to the Government each year with a recommendation of what the annual increase to the NLW should be, but it is

projected to reach at least £9 per hour by 2020. The rates agreed by Government will automatically apply to all HFRS employees and to Agency workers and contractors engaged on behalf of HFRS. Therefore, future development of the HFRS pay framework will be necessary to ensure compliance with the NLW.

### 1.3 £95,000 Cap on Exit Payments

- 1.3.1 The government plans to introduce a cap of £95,000 on the total cost of all forms of exit payments to individuals leaving public sector employment. If approved, the cap will be introduced on 1 April 2016 and will apply to all types of arrangements for determining exit payments including, voluntary and compulsory redundancy and settlement payments.
- 1.3.2 Within HFRS, there are no current or anticipated redundancies under the Professional Services Review which would meet this threshold. In respect of Risk Review, there will not be any compulsory firefighter redundancies and the use of voluntary redundancy is likely to be very limited with no pension strain charge arising under the Firefighters Pension Scheme. Therefore, it is unlikely that any exit payment would exceed the £95,000 cap. However, the Service must continue to monitor exit payments to ensure the cap is not exceeded.
- 1.3.3 In addition to the capping of exit payments the government will also introduce measures requiring high paid employees that leave and re-join the same part of the public sector within a year to return some or all of any exit payments that they have received. The core elements of the government's proposal are to require high earning public sector employees or office holders (defined as those earning above £80,000 pa) to repay a broad definition of exit payments should they return to the public sector within 12 months on a pro rata basis.

## 2. **Recommendations**

- The HR Committee RECOMMENDS to the Hampshire Fire and Rescue Authority (HFRA) that the Pay Policy Statement be approved.
- The HR Committee note the implementation of the national living wage (NLW) in line with new legislation to £7.20 per hour from 1 April 2016, further noting that this will only apply if HFRS recruits employees on Grade A aged 25 and over.
- The HR Committee note the proposed implementation of the £95,000 cap on, and recovery of, exit payments.

## 3. **Introduction and background**

### 3.1 Pay Policy Statement

- 3.1.1 Increased transparency about how taxpayers money is used, including in the pay and reward of public sector staff, is now a legislated requirement. Section 31(1) of the Localism Act 2011 (openness and accountability in local pay) requires Hampshire Fire and Rescue (HFRS) to prepare a Pay Policy Statement.
- 3.1.2 A Pay Policy Statement for a financial year must set out the authority's policies for the financial year relating to:
- the remuneration of its chief officers,

- the remuneration of its lowest-paid employees, and
- the relationship between the remuneration of its chief officers, and the remuneration of its employees who are not chief officers.

3.1.3 The statement must state:

- the definition of “lowest paid employees” adopted by the authority for the purposes of the statement, and
- the authority’s reasons for adopting that definition.

3.1.4 The statement must include the authority’s policies relating to

- the level and elements of remuneration for each chief officer,
- remuneration of chief officers on recruitment,
- increases and additions to remuneration for each chief officer,
- the use of performance-related pay for chief officers,
- the use of bonuses for chief officers,
- the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
- the publication of and access to information relating to remuneration of chief officers.

3.1.5 The definition of Chief Officers (as set out in section 43(2)) is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Fire Officer and Director of Professional Services. Authorities are reminded that the Act sets out the information they are required to include in the Pay Policy Statements as a minimum. Authorities should consider whether, in the light of local circumstance and their own reward structure, it would be appropriate to extend the scope of their Pay Policy Statement to include highly paid staff who would not come within the definition of Chief Officers. Hampshire Fire and Rescue Services (HFRS) has decided to extend its Pay Policy Statement to include all those roles at Director level.

3.1.6 The Pay Policy Statement attached at Appendix A is correct at the time of writing for the 2016/17 financial year. It will need to be updated throughout the financial year if there is a pay review/award as this will change the details of the financial content and the corresponding assessment of multiples.

3.1.7 Under the terms of the Localism Act 2011, the Pay Policy Statement must be considered at a full meeting of the Hampshire Fire and Rescue Authority (HFRA) and cannot be delegated to any sub-committee. Therefore, if supported by the HR Committee, the paper and attached pages will be presented at the next available HFRA meeting in order to meet statutory requirements in the coming financial year.

3.1.8 Approved Pay Policy Statements must be published on Hampshire Fire and Rescue Service’s website as soon as is reasonably practicable after they are approved or amended.

3.2 National Living Wage

3.2.1 HFRS define the “lowest paid employee” as that post holder receiving the lowest (FTE) annual salary (inclusive of employer pension contributions if applicable). This definition has been chosen as the most representative and equitable method for comparison with Chief Officer remuneration.

- 3.2.2 HFRS' lowest paid employees receive payment at Grade A of the HFRS pay framework. The 2015/16 fte salary at the top of this grade is £13,871 equivalent to an hourly rate of £7.00, which is lower than the NLW of £7.20 per hour/£13,892pa which will apply from April 2016. However, because Grade A is only used for non-uniformed (green book) apprentices aged under 25 there is no requirement to change the pay framework. Therefore there is no additional cost to the HFRS total pay bill.
- 3.2.3 The Government's stated intention is for the NLW to reach 60% of median UK earnings by 2020. The Low Pay Commission will submit a report to the Government each year with a recommendation of what the annual increase should be, but it is projected to reach at least £9 per hour by 2020. Any new rates agreed by Government will automatically apply to all HFRS employees and to Agency workers and contractors engaged on behalf of HFRS, once the three month qualifying period has been completed.
- 3.2.4 A pay rate of £9 per hour is equivalent to the current pay for an employee at Grade C of the pay framework. Therefore, it is likely to be necessary to review and develop the HFRS pay framework to ensure compliance with the NLW whilst maintaining integrity of the job evaluation process used for determining the pay grade of non-uniformed posts. As pay frameworks for non-uniformed (green book) staff are determined nationally, it will be for the Local Government Employers organisation (LGE) to recommend future development of pay arrangements to meet NLW requirements. All uniformed (grey book) staff are already paid in excess of £9 per hour and accordingly the NLW is not expected to impact pay arrangements for these staff.
- 3.2.5 As the NLW will be payable by all employers any increases in staff salary costs within organisations that we contract services from could result in increases to our contract costs. Heads of Service Team (HOST) have been informed of the need to consider this when reviewing any contracts for services with external providers. This may include arrangements with agencies for temporary employees. If there any significant increases in costs these may need to be reported to Finance and General Purpose Committee.

### 3.3 £95,000 Cap on Exit Payments

- 3.3.1 In recent years significant numbers of individuals have left the public sector with exit packages, such as redundancy payments. These exit payments have helped create substantial reductions in staff costs. However, following a number of high profile cases where individuals received large exit payments and then quickly returned to public sector roles, the government proposes to introduce a cap of £95,000 on the total value of exit payments.
- 3.3.2 The proposal is that the cap will cover payments made in relation to leaving employment, including:
- voluntary and compulsory exits
  - other voluntary exits with compensation packages
  - ex gratia payments and special severance payments
  - monetary value of any allowances or other benefits granted as part of the exit process which are not payments in relation to employment
  - payments or compensation in lieu of notice and payments relating to the cashing up of outstanding entitlements (such as allowances that are cashed up and added to the value of the sum)

3.3.3 It is proposed the following will not be in scope:

- compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement
- payments made following litigation for breach of contract or unfair dismissal
- payments in respect of annual leave

3.3.4 Within HFRS, there are no current proposed or anticipated redundancies under the Professionals Services Review (PSR) which meet the £95,000 cap. The Service will continue to monitor exit payments arising under the PSR to ensure this remains the case, but it seems unlikely any would reach this threshold given their average annual salary (which would be used for calculating exit payments) is £29,000.

3.3.5 The Fire Authority has made a commitment to not enforce any compulsory redundancies for fire-fighters under the Risk Review. There is also likely to be very limited use of voluntary redundancy for Grey Book staff because it is projected that the overall staffing numbers will decrease sufficiently through natural turnover. Whilst they have a higher average annual salary of £38,000 (which would be used for calculating exit payments), there is no additional pension strain charges to take into consideration and therefore it is very unlikely that any exit payment would exceed the £95,000 cap. The Service will continue to monitor all future exit payments to ensure that they do not exceed the cap.

3.3.6 In addition to the capping of exit payments the government will also introduce measures requiring high paid employees that leave and re-join the public sector within a year to return some or all of any exit payments that they have received. The core elements of the government's proposal are to require high earning public sector employees or office holders (defined as those earning above £80,000 pa) to repay a broad definition of exit payments should they return to the public sector within 12 months on a pro rata basis. The government will take forward these proposals by taking powers in primary legislation as part of the Small Business Enterprise and Employment Bill with the measures being implemented through secondary legislation no later than April 2016. In practice this will have limited implications for HFRS as the only employees who would meet the salary threshold to trigger recovery are those employed at Director level.

#### **4. People Impact Assessment**

4.1 The proposals in this report are considered compatible with the provisions of the European convention on Human Rights Act 1998, and the race relations (Amendment) Act 2000.

#### **5. Resource Implications**

5.1 There is staff time to prepare figures and reports but no significant resource implications are identified.

#### **6. Back ground papers**

6.1 The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report:

“None”

Note: The list excludes: (1) published works; and (2) documents that disclose exempt or confidential information defined in the Act.

## **Appendix A**

### **Hampshire Fire and Rescue Service**

#### **Pay Policy Statement**

**2016/17**

- **Introduction**

- 1.1 The purpose of this Pay Policy Statement is to set out Hampshire Fire and Rescue Service's pay policies relating to its workforce for the financial year 2016/17, including the remuneration of its Chief Officers and lowest paid employees.
- 1.2 Under the terms of the Localism Act 2011, the Pay Policy Statement must be considered at a full meeting of the Hampshire Fire and Rescue Authority (HFRA) and cannot be delegated to any sub-committee.

- **Pay Framework**

- 2.1 Pay for all employees of HFRS is determined by the Local Government Employers with the Employers' Sides of the National Joint Council for Local Authority Fire and Rescue Services, the Middle Managers' Negotiating Body, and the NJC for Brigade Managers of Local Authority Fire and Rescue Services, the Hampshire Fire & Rescue Authority locally and representative bodies nationally. Terms and conditions of employment for HFRS employees are set nationally with any variations negotiated and agreed locally.
- 2.2 The HFRS pay framework for non-operational support staff was implemented in March 2002 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. Pay awards for non-uniformed support employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from April each year.
- 2.3 The HFRS pay framework for operational uniformed staff was implemented in December 2003 following a rank-to-role exercise in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. Pay awards for uniformed operational employees are determined by the outcome of Local Government Employers' negotiations with the Trade Unions and are applied from July each year.

- **Chief Officer Remuneration**

- 3.1 With respect to Chief Officers' pay, this is agreed by the Hampshire Fire & Rescue Authority (HFRA). Taking into account relevant available information, including the salaries of Chief Officers in other comparable Fire & Rescue Services nationally, Chief Officer pay awards are based on NJC recommendations, together with any additional performance related pay enhancement, agreed locally with the HFRA. To

support the annual review, information may be provided on inflation, earnings growth and any significant considerations from elsewhere in the public sector. The details of HFRS' Chief Officers pay is outlined in Appendix 1.

- 3.2 The definition of Chief Officers (as set out in section 43(2)) is not limited to Heads of Paid Service or statutory Chief Officers. It also includes those who report directly to them, such as the Deputy Chief Fire Officer and Director of Professional Services. Senior employees at Director level and above receive remuneration based on direct percentage proportions of the Chief Officer's pay and hence any agreed Chief Officer pay award (as described above) will be reflected in the remuneration of these employees. Therefore, all roles at Director level in HFRS are covered by the Pay Policy Statement and details of their pay is also outlined in Appendix 1.
- 3.3 Chief Officer pay may be varied during a financial year (e.g. if the incumbent post holder were to leave and a replacement be recruited). Any changes to remuneration, (whether increases or decreases), in this situation, (or for any other legitimate reason) must be approved by the HFRA. The effects of any changes cascading from any change to other existing Director level staff and above would also require review and HFRA approval at that time.

- **Remuneration of the lowest paid employee**

- 4.1 HFRS define the "lowest paid employee" as that post holder receiving the lowest (FTE) annual salary (inclusive of employer pension contributions if applicable). This definition has been chosen as the most representative and equitable method for comparison with Chief Officer remuneration.
- 4.2 The lowest paid employees receive payment at Grade A of the HFRS pay framework. The salary at this grade is £13,871pa equivalent to £7.00 per hour. This is less than the NLW of £7.20 per hour which is introduced from 1 April 2016 for workers aged 25 and over. However, the only roles that are paid at Grade A are apprentices, all of whom are under 25 and therefore are not eligible to receive the NLW.
- 4.3 The average salary of an HFRS non-operational fte post is £32,700\* (including employer pension contributions of 13.1%).

\*Includes all non-operational support posts (37 hours per week) but incident command unit employees whose earnings vary considerably based on levels of operational activity and the volume of incidents to which they respond.

- 4.4 The average salary of an HFRS operational fte post is £43,100\*\* (including employer pension contributions\*\*\*).

\*\*Includes all operational posts and Control (42 hours per week) but excludes retained firefighters whose earning vary considerably based on levels of operational activity and the volume of incidents to which they respond.

\*\*\*The employer pension contribution for grey book salary is based on membership of the 2015 Firefighters Pension Scheme with employer contributions of 14.3%.

- **Relationship between remuneration of Chief Officers and lowest paid employees**

5.1 The combined salaries for Director level roles represents 1.49% of the HFRS total pay bill.

The combined salaries of the lowest paid employees represents 0.09% of the HFRS total pay bill.

5.2 The remuneration of the Chief Officer represents a multiple of 11 of the salary at Grade A which is the lowest paid employees' salary. The relationship to average non-operational staff salary is a multiple of 6 and to average operational staff is a multiple of 5.

HFRS relies on the transparency and equality of application in the operational and non-operational job evaluation processes to achieve equitable pay rates for all roles. As such, there is no specific policy to set or achieve a particular pay multiple in relation to Chief Officer remuneration completed to the pay levels of other staff.

- **Policies relating to remuneration (including pensions)**

6.1 Pension scheme employer contributions are detailed on Appendix 1 as part of Director level salary costs. There are no special arrangements for Chief Officers in relation to pensions. All staff have the option to join the pension scheme relevant to their role and benefits under each scheme are based on contributions, final salary and length of time in the scheme.

6.2 Operational employees joining HFRS are eligible to join the New Firefighters Pension Scheme (NFPS). Existing operational employees, including Chief Officers may be members of the previously available Firefighters Pensions Scheme (FPS) or the NFPS. Non-operational employees are eligible to join the Local Government Pension Scheme (LGPS) as are some more senior operational employees who have taken re-employment after retiring from the FPS.

6.3 HFRS does not pay performance related pay or bonus to any employees or Chief Officers. Similarly, no special arrangements are routinely made to employees or Chief Officers on leaving HFRS. The management of redundancy in HFRS is detailed in Service Order 1/33 - Redundancy Procedure.

6.4 HFRS does not permit the automatic re-engagement of staff after retirement. This policy is reviewed every two years and will next be reconsidered in the autumn of 2017.

## Hampshire Fire and Rescue Service - Pay Policy Statement 2016/17

### Appendix 1

#### Salary details of Director level roles in Hampshire Fire and Rescue Service

Role	Salary at 01.04.16	Pension contribution	Total remuneration including pension contributions
	£	£	£
<b>Chief Officer</b>	150,682.92	21,547.66	172,230.58
<b>Director of Service Delivery (Deputy Chief Officer)</b>	120,546.36	17,238.13	137,784.49
<b>Head of Response (Assistant Chief Officer)</b>	113,012.16	16,160.74	129,172.90
<b>Head of Community Safety (Assistant Chief Officer)</b>	113,012.16	16,160.74	129,172.90
<b>Director of Professional Services</b>	105,478.08	13,817.63	119,295.71