

LONDON BOROUGH OF MERTON
Draft for 2016/17
Pay Policy Statement

1. Introduction

- 1.1 The Council is committed to transparency of pay, and best value for money to residents in terms of the pay bill to the workforce and quality of services provided to residents. This statement is required under the provisions of the Localism Act 2011.

We monitor the Council's benchmark position regularly in London utilising data sets from London Councils, and in particular the annual chief officers' salary survey. This information is used when reviewing pay and grading structures, in combination with data on turnover, recruitment and retention.

- 1.2 This pay policy statement sets out: the Council's current position in the labour market and pay benchmarking, pay ratios, the current pay structure and arrangements, dealing with data transparency and senior officer termination payments.

2. Pay benchmarking

- 2.1 In terms of the senior pay benchmarks derived from the London Councils database we know the Council is positioned broadly at the median for senior pay for the 32 boroughs. Our overall pay rates below chief officer-level broadly mirror the median for Outer London Local Authorities.

- 2.2 The pay benchmarks are reviewed annually to ensure the Council continues to provide good value for money and that senior managers are not paid in excess of local, regional and national labour markets, as appropriate to the job.

3. Pay ratios and Fair Pay in the Public Sector

- 3.1 The Council has a pay ratio of 1:11 between the lowest and highest paid employees, conforming to CIPD research evidence that the average ratio in Local Government in England is 1:10. It should be noted this is well within the ratio level of 1:20 that was established for the Hutton Fair Pay Review (March 2011) to consider. Recent research* has suggested that the ratio for the top 250 private sector organisations is 1:262, and 1:15 for the public sector overall. *research commissioned and published by the One Society think-tank.

- 3.2 Merton uses job evaluation to determine an employee's grade and the rates within the grade are determined through national bargaining. The current minimum rate of pay for NJC employees of £16,287 per annum is based on the nationally determined minimum spine point rate, however a London Living Wage guarantee ensures the lowest rate actually paid from 1 April 2016 to Merton's employees will be £9.40 per hour (£17,109 per annum). See paragraph 4.1 below for more detail on how we determine grades.

- 3.3 The Council ensures senior managers are required to demonstrate they are performing to appraisal objectives in order to qualify for incremental pay increases and this pay policy system conforms with the recommendations from the Hutton Fair Pay Review that senior managers' pay includes an element of 'earn back'.
- 3.4 As well as comparing with the lowest paid we also make comparison with the median (recommended in the Government's transparency guidelines). The ratio of the Chief Executive's pay to median employee salary is 1:7. The Hutton report suggested the ratio for the FTSE top 250 private sector companies was 1:38.
- 3.5 At the time of preparing this pay statement the Government was undertaking consultation on its proposals for mandatory reporting from early 2016 of the gender pay gap for organisations with more than 250 employees. The average full-time salary for males employed by the Council is £26,688 a year, and the average full-time salary for females is £27,227 a year. The gap between male and female pay is -£539 (-2.0%) i.e. females earn on average more than males.

4. Current pay structures and arrangements

- 4.1 The Council operates:
- The Joint National Council (JNC) for LA Chief Executives, and the JNC for LA Chief Officers pay agreement arrangements &
 - The National Joint Council (NJC) Greater London Provincial Council (GLPC) Outer London pay agreement for most posts below Management Grade (MG), and applies the GLPC job evaluation scheme for jobs up to grade ME16. Job evaluation objectively establishes the relative size/value of posts whereas the pay/grade relationship ('price tag') is agreed by the Council with reference to GLPC benchmark guidance. The pay and grading structure below chief officers and Management Grade (see 4.3 below) currently allows for time-served incremental progression on an annual basis up to the grade maxima.
- 4.2 Some other employees are paid on nationally determined pay scales such as: Soulbury, Youth & Community, Teachers, Craft Workers and local conditions.
- 4.3 Senior managers, on grades MGA to chief executive grade are placed on grades with incremental progression on an annual basis. Progression through the grade is dependent upon satisfactory performance. Job evaluation for chief officers and managers above ME16 is conducted using the Hay job evaluation scheme.
- 4.4 Senior staff receive no performance-related pay or bonuses. They contribute from 8.5% up to 12.5% of their salary to the local government pension scheme and Merton's employer contribution to the pension fund for all contributing members is 13.9%. In some years the Chief Executive also

receives election expenses when general, local or European elections occur. Annual cost of living increases are determined nationally.

- 4.5 All matters relating to senior pay, including the chief executive's appraisal setting and assessment is dealt with by the Council's senior remuneration panel comprising of each of the political group leaders, chaired by the Leader of the Council for the administration at which the salary package is considered and recommended for approval. Salary packages over £100,000 will be reported to full Council for approval.
- 4.6 The Council applies the NJC and Chief Officers pay awards. At this juncture the pay award outcome for 2016/17 is still awaited.
- 4.7 Any proposed changes to the pay and grading structure are subject to an Equality Impact Assessment to assess the likely impact of the changes. We conducted a full Equal Pay Audit in 2006, which found no significant issues, and we conduct further smaller audits on a periodical basis.

5. Transparency arrangements

- 5.1 The Council via its Internet site:
 - publishes all senior employee salaries with: names, title, salary band and information including job descriptions that will cover span of control and managerial responsibilities.
 - publishes on an annual basis via its website a schedule of all council employees earning £50,000, or more, in accordance with the recommended code of practice for data transparency
 - publishes structure charts on the Council's website as recommended by the government code of practice for data transparency.
 - publishes this policy via the Council's website
- 5.1 In the event that there are changes in an employee's salary (including market supplement) which results in a salary increase to £100k during the year; this package needs to be recommended by the remuneration panel and approved by full Council. Once agreed by full Council the details of the individual and post will be published including: name, title, salary band and information including job description that will cover span of control and managerial responsibilities.
- 5.2 The Chief Executive's remuneration, that of the Directors, and any officer earning over £100k, is already the subject of a published statement on the Council's website. Such levels of remuneration are subject to the Council's senior remuneration panel consisting of the three different political party leaders (see 4.5 above). Other salary and budget information is published in the annual statement of accounts, available from the Council's website. The Chief Executive's appraisal objectives for 2016/17 will also be published.
- 5.3 For any new appointment where the salary is £100k per annum or more approval should be obtained from full Council prior to the appointment being

made (in practical terms the agreement would be sought at the start of the recruitment process).

6. Termination payments

- 6.1 For Chief Officers, termination payments are reported to the General Purposes Committee and the rationale for such termination arrangements for these matters are approved by members of the Council. From April 2013 all severance packages over £100,000 are reported to full Council for approval.
- 6.2 We will continue to review and publish our policy on the exercise of discretions under local authority regulations covering compensation for early termination of employment, redundancy and pension enhancements. We are currently considering our policy on the remuneration of chief officers who return to a local authority.
- 6.3 At the time of preparing this pay statement the Government was undertaking consultation on its proposals to cap termination payments in the public sector at £95,000, to be implemented via the Enterprise Bill. Should these proposals be adopted they will apply to the Council.