

Council

Date: 27 March 2013

Agenda item: 11

Subject: Refresh of Pay Policy Statement and re-adoption of the Members' Allowances Scheme

Lead officer: Dean Shoesmith, Joint Head of Human Resources; Paul Evans, Assistant Director of Corporate Governance and Monitoring Officer

Lead member: Councillor Mark Allison

Forward Plan reference number: 1250

Contact officers:

Peter Andrews, Pay Rewards & Workforce Planning Manager (8770 5006, peter.andrews@sutton.gov.uk); Paul Evans, Assistant Director of Corporate Governance (8545 3338), paul.evans@merton.gov.uk

Recommendations:

1. To approve revisions to the Pay Policy Statement for final approval by Council
 2. To note the recommendation that Council reconfirm its Members' Allowances Scheme with no change for 2013/14 with effect from 1 April 2013
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Localism Act 2011 requires the Council to publish a pay policy statement and for the statement to be re-approved by Council each year.
- 1.2 The existing pay policy statement for 2012/2013 was approved by Council in March 2012
- 1.3 Although there has been no change in pay policy in the last year, and there have been no pay awards, a recent 'Final Supplementary Guidance' letter from the DCLG (Appendix B) necessitates changes to the pay policy statement for 2013/2014.
- 1.4 The report also recommends re-adopting the Members' Allowances Scheme with no change for 2013/14.

2. DETAILS

- 2.1 The pay policy statement for the year 2012/2013, approved by Council, is currently published on the Council's website
- 2.2 A full Council meeting is required to re-approve the pay policy statement each year, and a report will therefore be taken to Council on 27 March 2013.
- 2.3 As there has been no change in the council's pay policy, and there have been no pay awards, it had been intended to resubmit the 2012/2013 pay policy statement for approval for the financial year 2013/14.
- 2.4 The DCLG recently issued a 'Final Supplementary Guidance' letter which necessitates some changes to the pay policy statement.
- 2.4 A Pay Policy Statement for 2012/13 is attached at Appendix A.
- 2.5 Some minor revisions have been made to the text to fully comply with the requirements in relation to presentation and accessibility. Checks have confirmed that the policy statement can easily be found by a search from the homepage of the council's website.
- 2.6 To fully comply with the revised guidance, two changes would be needed to current arrangements:
- The salary package for each appointment in excess of £100k per annum would need to put to a full meeting of the Council for approval. At present this decision rests with the Senior Remuneration Panel except in the case of the Head of Paid Service where the final appointment decision is made by the Council.
 - Any severance package in excess of £100k would need to put to a full meeting of the Council for approval. At present these matters are reported to General Purposes Committee except in the case of the Head of Paid Service where any dismissal decision is made by the Council.
- 2.7 Requiring salary packages and severance packages in excess of £100k to be approved by full Council would increase accountability and transparency but could present operational difficulties depending on the timing of meetings of the Council.
- 2.8 Particular timing difficulties are likely when making appointments if a meeting of full Council is required before a salary package can be offered. It is therefore recommended that wherever timescales permit, offers of salary packages over £100k for new appointments are subject to approval

- by full Council, but in cases of operational urgency (for example to secure an exceptional candidate) the salary package will be approved by the cross-party Senior Remuneration Panel and reported to the next full Council for information.
- 2.9 Severance arrangements typically have a longer lead-in time than appointments and it is considered that a requirement for severance packages in excess of £100k to be authorised by full council would not be operationally prohibitive. It is further considered that all Chief Officer dismissals at Director level or above, and including the S151 Officer, should be subject to approval by full Council. These changes have been incorporated into the Pay Policy Statement. In practice, where major restructuring could produce severance costs above the threshold a report would need to go to Full Council.
- 2.10 Arrangements are in place to refresh the publication of earnings over £58,200 per annum and associated job descriptions by 1 April 2013. This updated information will be published on the Council's website annually, but the information itself does not require authorisation through committee.
- 2.11 In relation to the Members' Allowances Scheme the Council is required further to the Local Authorities (Members' Allowances) (England) Regulations 2003 to agree a scheme of members allowances for the year 2013/2014 and in doing so give due regard to the recommendations made by the report of the Independent Panel on the Remuneration of Councillors in London whose latest report was published in April 2010.
- 2.12 The Independent Panel did not recommend any significant changes to the Scheme of Allowances which it approved in its last report in 2006. It is therefore recommended that Council re-adopt the existing Members Allowances Scheme. The current scheme adjusts the level of member allowances in line with the annual pay award to staff, if and when agreed
- 2.13 In the circumstances the Council is recommended to confirm its existing scheme of Member Allowances with no change.

3. ALTERNATIVE OPTIONS

- 3.1 The DCLG guidance makes provision that if any council chooses not to adopt any part of it then the reasons for doing so should be set out in the Pay Statement.
- 3.2 It is unclear from the DCLG guidance at what stage of the appointment process a full Council vote should be required to approve a salary package of £100k for a new appointment.

- 3.2 Requiring each salary packages and severance payments to be approved at full Council may cause operational difficulties, for example where a salary offer needs to be made quickly to secure an exceptional candidate. It may be considered that present arrangements are sufficient; if this approach is adopted the pay statement would have to set out the arrangements and the reason for the departure from the guidance in the policy statement (the need for timely decision making).

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 There has been discussion between HR functions across London on the revised guidance and the implications for any changes in pay policy. It is considered that the final decision on this remains a local matter.

5. TIMETABLE

- 5.1 The Pay Policy Statement must be approved by Council in March 2013 and immediately after published on the Councils website.
- 5.2 A meeting of the Senior Remuneration Panel will be convened between CMT and Council to consider the proposed changes for final approval by Council.

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 None.

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 Publication of the Pay Policy Statement and annual re-approval by a meeting of the full council is a statutory requirement under the Localism Act 2011.
- 7.2 Guidance was issued to authorities in 2011 to accompany the Localism Act, and revised 'final supplementary guidance' was issued by the DCLG in late February 2013. This paper considers the implications of the 'final supplementary guidance'.
- 7.3 Regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 requires re-adoption of the scheme. Before making or amending its allowances scheme, the Council is required, by Regulation 19, to have regard to the recommendations of an Independent Remuneration Panel.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1 The intention of the pay policy measures in the Localism Act is to improve transparency of decision making, particularly in relation to top earners in the organisation.

9. CRIME AND DISORDER IMPLICATIONS

9.1 None

10.0 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 The existing Pay Policy Statement published for 2012/13 complies with the requirements of the Localism Act. This report considers the full adoption of the measures contained in the revised supplementary guidance which accompanies the act, in particular the consideration at full council of salary packages over £100k and severance packages over £100k.

A. APPENDICES – the following documents are to be published with this report and form part of the report

- Appendix A

B. BACKGROUND PAPERS

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LONDON BOROUGH OF MERTON
2013/14
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 in the bottom quartile for senior pay for the 32 boroughs, and in a number of cases pays the lowest rate in the whole of London. 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 1:12 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 £14,697 per annum is based on the nationally determined minimum spine point rate. 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'. Demanding targets have to be satisfied for a senior manager to qualify for incremental progression.
- 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.

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. The Council has set out its intention to review the pay and grading model and shared this purpose (including the pay and grading structure) with the recognised trades unions.
- 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 up to 7.5% of their salary to the local government pension scheme and Merton's employer contribution to the pension fund for all contributing members is 14.1%. 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 are dealt with by the Council's senior remuneration panel comprising of the four party leaders, chaired by the Leader of the Council for the minority administration at which the salary package is

considered and recommended for approval. Wherever timescales permit, salary package offers over £100k for new appointments will normally be subject to approval by full Council, but in cases of operational urgency the salary packages will be approved by the cross-party Senior Remuneration Panel and reported to the next full Council for information.

- 4.6 There have been no increases in pay rates for most employees since April 2009 (Chief Officers since April 2008).
- 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 will via its Internet site:
- publish all senior employee salaries with: names, title, salary band and information including job descriptions that will cover span of control and managerial responsibilities.
 - publish on an annual basis (each April, commencing April 2012) via its website a schedule of all council employees earning £58,200*, or more, in accordance with the recommended code of practice for data transparency (* £58,200 being the entry point for the Senior Civil Service grade and a means of identifying senior pay in public service)
 - publish structure charts on the Council's website as recommended by the government code of practice for data transparency.
 - publish this policy via the Council's website
- 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 four 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.
- 5.3 Officers are empowered to make salary offers in relation to new appointments within the approved range. This arrangement allows for timely decision making whilst ensuring pay transparency.

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 will be reported to full Council for approval, and all dismissals of the Head of Paid Service, Directors and the S151 Officer will be subject to approval by full Council.

- 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 have a policy of no re-employment for 12 months for any officer leaving the council's service.



Department for
Communities and
Local Government

Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011

Supplementary Guidance

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Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000

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Openness and Accountability in Local Pay: Supplementary Guidance

1. Sections 38 to 43 of the Localism Act 2011 require relevant authorities to prepare a pay policy statement for the financial year 2012-13 and each subsequent financial year. Section 40 of the Act includes provision for the Secretary of State to issue guidance on the content and application of senior pay statements. Relevant authorities must have regard to this guidance in the exercise of their functions under the pay accountability provisions.
2. *Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act* was published in February 2012 and can be accessed here: [Pay Accountability Guidance](#)¹. That Guidance still stands. This note supplements that Guidance and authorities in England must take account of when preparing their pay policy statements for 2013-14 and each subsequent financial year.
3. If a relevant authority has concluded that a particular section(s) of the Guidance is not applicable to their local circumstances, the relevant authority should set out clearly in their pay policy statements why they consider this to be the case.

Presentation and accessibility

4. Pay policy statements are public documents to be used as an information source to enable local taxpayers to hold their councillors to account on pay matters.
5. The Localism Act 2011 requires that as soon as is reasonably practicable after approving or amending a pay policy statement, authorities must publish the statement or the amended statement in such manner as they see fit which must include publication on the authority's website. In addition, section 38 (4) requires authorities to set out in their pay policy statements their approach to the publication of and access to information relating to the remuneration of chief officers.
6. Once approved, authorities should ensure their pay policy statement is published as soon as is reasonably practicable. Evidence suggests that, while authorities had prepared their pay policy statements and published them online for 2012-13, a significant number of statements were not easily accessible and readily available to the public.² Authorities should

¹ Link to *Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act* published in February 2012

² One Society published a report: *Leading the way on fair pay – which is an assessment of principal local authorities in England & Wales using local authorities' pay policy statements as source of information. On availability and accessibility of pay policy statement it found that the statements in the majority of cases could not easily be found.*

<http://www.onesociety.helencross.co.uk/wp-content/uploads/2012/09/FairPayReport2012.pdf>

ensure that statements can be easily found, for example, by a simple search on their website. The statement itself should be published as a stand alone document in its final form, perhaps within the website's transparency section or with other pay and workforce information.

7. The information within pay policy statements should be presented in a clear and accessible format. Evidence suggests that authorities should do more to ensure that that jargon is kept to a minimum, any acronyms used are explained, and that any hyperlinks used to access other documents or websites work properly.³ In addition, authorities should set out clearly and separately their policies against each of the requirements listed in the relevant sections of the Localism Act 2011. Where this is done effectively, it will help enable taxpayers to decide whether they are getting value for money in the way that public money is spent on local authority pay and reward.

Accountability

Salaries on appointment

8. The existing Guidance makes clear that full council (or a meeting of members for fire authorities) should be given the opportunity to vote before large salary packages offered in respect of a new appointment. The Guidance states that the Secretary of State considers that £100,000 is the right level for that threshold to be set and that figure remains the same.
9. For 2012-13, it appears that not all authorities chose to articulate in their statement if this was being done. Local taxpayers should know what their authority's policy is on senior appointments and, specifically, have a right to expect that decisions about the most senior - and most costly - appointments are being taken by those who are directly accountable to local communities. As with all aspects of this Guidance, authorities should address this issue within their policy statements and make clear how they have taken account of this policy.
10. There will be some authorities whose salary structures do not include posts or appointments over £100,000. Where this is the case, those authorities should seek to achieve a similar degree of openness and accountability. Specifically, such authorities should set their own salary threshold which is more suited to their local circumstances and should allow full council an opportunity to vote on salary packages for new appointments above that level.⁴

Severance payments

11. There has been a great deal of public scrutiny of the level of severance payments awarded to senior local government staff and rightly so. Authorities should ensure that they manage their workforces in a way that best delivers best value for money for local taxpayers and sets the right

³ One Society report: Leading the way on Fair Pay

<http://www.onesociety.helencross.co.uk/wp-content/uploads/2012/09/FairPayReport2012.pdf>

⁴ Salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment.

example on restraint. This includes any payments offered to staff leaving the authority.

12. Authorities are already required to publish their policies on severance for chief officers⁵ and their policy on discretionary compensation for relevant staff in the event of redundancy.⁶ In addition, other regulations provide for disclosure of remuneration of senior employees including details of severance payments within authorities' annual statement of accounts.⁷
13. Taken together, these measures enable greater scrutiny of the money spent by authorities on severance. However, given continuing public concern about the level and frequency of such payments, there is a case for going further to ensure that decisions to spend local taxpayers' money on large pay-offs are subject to appropriate levels of accountability. Authorities should, therefore, offer full council (or a meeting of members in the case of fire authorities) the opportunity to vote before large severance packages beyond a particular threshold are approved for staff leaving the organisation. As with salaries on appointment, the Secretary of State considers that £100,000 is the right level for that threshold to be set.
14. In presenting information to full council, authorities should set out clearly the components of relevant severance packages. These components may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid.
15. This follows on from the Secretary of State's announcement⁸ that he intends to remove the costly and bureaucratic requirement for a designated independent person to investigate allegations of misconduct by senior officers from the Local Authorities (Standing Orders) (England) Regulations 2001. We are currently consulting with the Local Government Association and others on the draft regulations to give effect to these changes.

Role of Mayors

16. The Localism Act requires that pay policy statements must be approved by full council. Our expectation would be that where councils have directly elected mayors, they would involve the directly elected mayor and have regard to any proposals the mayor may have before the statement is considered and approved.

⁵ The Localism Act 2011, s.38 (4) (f)

⁶ Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006

⁷ Accounts and Audit (England) Regulations 2011

⁸ Press Notice 9 November 2012 <https://www.gov.uk/government/news/eric-pickles-acts-to-limit-town-hall-chiefs-golden-goodbyes>

Queries

17. If you have any queries on this guidance, please submit them using the details below.

Workforce and Pay Team
Department of Communities and Local Government
Zone 5/F5 Eland House
Bressenden Place
London
SW1E 5DU
payaccountability@communities.gsi.gov.uk