

Committee: Full Council

Date: 18 November 2015

Wards:

Subject: Managing Director, CHAS 2013 Ltd

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison

Contact officer: Sophie Ellis, Assistant Director of Business Improvement and Director of Chas 2013 Ltd

Recommendations:

- A. To approve an appointment to the post of Managing Director of CHAS 2013 Ltd on a salary not exceeding £120,000 per annum.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to request Council approval for the creation of a Managing Director post within CHAS 2013 Ltd. The salary is in excess of £100,000 and outside Council pay scales and this heightened level of transparency is therefore deemed appropriate.
- 1.2. The report sets out the rationale for both the creation of the post and the salary attached to it.

2 BACKGROUND

- 2.1. CHAS (Contractors Health and Safety Scheme), was formed into a company in May 2013 following Guidance issued by the Office of the Deputy Prime Minister (General Power for Local Authorities to Trade in Function Related Activities Through a Company).
- 2.2. The company is wholly owned by the London Borough of Merton – its sole shareholder.
- 2.3. As required by law the company is overseen by a Board of Directors, each of whom is a council employee. The current Directors are Caroline Holland, Director of Corporate Services; Sophie Ellis, Assistant Director of Business Improvement; and Fiona Thomsen, Head of Shared Legal Services.
- 2.4. At the point of the company's inception, there was a TUPE transfer of employees to the new company. All the CHAS staff are therefore employed directly by the company and all of the resources are controlled by the management team, though this is under the strategic control and stewardship of the Board of Directors.
- 2.5. The company makes use of a number of council services: HR, payroll, IT, legal services etc. which are controlled through Service Level Agreements between the council and CHAS 2013 Ltd.

- 2.6. When the company was created, the existing Head of Service retired, and shortly thereafter one of the two members of the senior management team resigned to take up a post elsewhere. This left a need for immediate additional management capacity. The Board therefore appointed an interim Business Manager – through the council’s employment framework – in December 2013 to establish and embed the new company and support recruitment to an appropriate management structure.
- 2.7. The company operates a performance reward scheme whereby all direct employees receive a bonus payment if the company achieves a growth in revenue. The payment is capped at 5% of the overall staffing budget and is distributed equitably amongst all employees.
- 2.8. The Local Government Pension Scheme is available to all company employees, new and existing.

3 DETAILS

- 3.1. The Board of Directors has determined that the appointment of a Managing Director would be appropriate for the company. It is good practice for any Board of Directors to be comprised of both Executive (directly employed by the company) and Non-Executive Directors (not directly employed by the company) to ensure all interests are well served. The Board is currently comprised of all Non-Executive Directors and therefore this appointment will bring balance to the board and an appropriate level of accountability.
- 3.2. In January 2014, through the Council’s executive search framework, the Board of Directors appointed Penna to support the development of a role description and salary evaluation exercise.
- 3.3. Penna undertook market research and salary benchmarking in order to establish the type of role required given the nature of the industry as well as the appropriate salary range.
- 3.4. On the basis of this research Penna confirmed to the Board that their proposal to create a Managing Director post was the most appropriate course of action. Having surveyed salaries for similar positions they advised that a salary of at least £120,000 would be necessary to attract candidates with the required skills.
- 3.5. Council will want to note that CHAS 2013 Ltd operates within a highly specialised, niche industry. A number of strong potential candidates declined to express their interest in the role unless the salary was increased significantly. For this reason the Board has sought to make the post as attractive as possible
- 3.6. Working in collaboration with Penna, the Board have undertaken a comprehensive recruitment exercise and identified a preferred candidate. Since the process began Merton’s Pay Policy Statement for 2015/16 was agreed which sets out that 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.
- 3.7. As the salary package, which includes the CHAS benefit scheme (as set out in item 2.7) and membership of the Local Government Pension Scheme item 2.8 is in excess of £100,000 and outside of Council pay scales, it is

appropriate for the salary range to be transparent and to receive Council (shareholder) approval.

4 ALTERNATIVE OPTIONS

- 4.1. The company could continue with the existing interim arrangements; however these are more costly than the appointment of a Managing Director and therefore not recommended. This would also undermine the stability of the company and business continuity since there is a far shorter notice period for contractors appointed through the council's framework arrangements.
- 4.2. The company could consider the creation of a non-Director position; however this would not be in line with advice received from both the Institute of Directors and Penna.
- 4.3. Failure to introduce the necessary governance and leadership to ensure that CHAS 2013 thrives could decrease the profitability of the company; its ongoing growth and development of new products in a thriving, growing market is essential to its survival.

5 CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1. Penna undertook market research as set out in this report.

6 TIMETABLE

- 6.1. CHAS 2013 Ltd are looking to appoint a candidate to start in post in January 2016.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. The cost of the post is incorporated within the company's budget forecast and can be met within the current and anticipated income generated.

8 LEGAL AND STATUTORY IMPLICATIONS

- 8.1. A bespoke contract is being prepared by the South London Legal Partnership to reflect the specific accountabilities of this post. This will include the appropriate and relevant non-compete clauses.

9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 9.1. None

10 CRIME AND DISORDER IMPLICATIONS

- 10.1. None

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. None

12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- 12.1. None

13 BACKGROUND PAPERS

- 13.1. Penna's Salary Evaluation Exercise - Confidential

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