

## Committee: Council

**Date: 4 February 2015**

Wards: All

### **Subject: Approval 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, Deputy Leader and Cabinet Member for Finance

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#### **Recommendations:**

1. That Council approve publication of the Pay Policy Statement for 2015/16
  2. That Council reconfirm the Members' Allowances Scheme with no change for 2015/16, with effect from 1 April 2015
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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 approved by Council each year.
- 1.2. The existing pay policy statement for 2014/15 was approved by Council on 5 February 2014.
- 1.3. There have been minor changes in pay policy since last year. It is therefore proposed that the pay policy statement attached as Appendix A should be approved for 2015/16.
- 1.4. The report also recommends re-adopting the Members' Allowances Scheme with no change for 2015/16.

#### **2 DETAILS**

- 2.1. The pay policy statement for the year 2014/15, 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.
- 2.3. There has been minor changes in the council's pay policy, along with revised pay ratios.
- 2.4. A draft Pay Policy Statement for 2015/16 is attached at Appendix A.
- 2.5. In relation to the Members' Allowances Scheme, the Council is required further to the Local Authorities (Members' Allowances) (England) Regulations 2003 to re-adopt its scheme of allowances for the year 2015/16 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 2014.

- 2.6. The Independent Panel did not recommend any significant changes to the scheme of allowances which it approved in its report in 2006 and again in 2010. It recommended that members' allowances continue to be pegged to the annual local government pay settlement, as is already the case in Merton.
- 2.7. Council is recommended to confirm its existing scheme of Member Allowances for 2015/16 and to retain the same level of allowances for 2015/16, thereby agreeing to not apply the local government pay settlement.

### **3 ALTERNATIVE OPTIONS**

- 3.1. Publication of a pay policy statement and member allowances are statutory requirements.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. Any changes to the pay policy statement would be considered by the Council's Senior Remuneration Panel prior to submission to Council

### **5 TIMETABLE**

- 5.1. The Pay Policy Statement must be approved by Council for publication from 1 April 2015 on the council's website.

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. There is provision in the draft MTFs for 2015-19 for an increase in the budgeted cost of salaries and Members' Allowances. These provisions will be kept under review each year..

### **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. The required changes were addressed in the 2013/14 Pay Policy Statement approved by Council last year.
- 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 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1. None

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

- Appendix A – draft pay policy statement for 2015/16

**12 BACKGROUND PAPERS**

12.1. None

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LONDON BOROUGH OF MERTON  
Draft for 2015/16  
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 1:11 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. 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 £16,242 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 2015 to Merton's employees will be £9.30 per hour (£16,926 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.

#### 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 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 the three party 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 pay award with a lump sum element of 2.20% for 1 January 2015 to 31 March 2016. The national pay negotiation for Chief Officers, which applies to all management grades, at this juncture is still awaited.

4.7 Any proposed changes to the pay and grading structure are subject to an Equality 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 From April 2012, the Council will via it's 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 (now from February 2015 ) 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
- 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 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.

5.3 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 2015/16 will also be published.

5.4 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 will be 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. The Council has a policy not reemploying staff including chief officers who have been made redundant for a period of 12 months from the date of leaving.

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