

Committee:	Date:
Establishment Policy & Resources Court of Common Council	16 January 2018 21 February 2018 7 March 2018
Subject: Draft Pay Policy Statement 2019/20	Public
Report of: Chrissie Morgan, Director of Human Resources	For Decision
Report author: Ian Simpson, Corporate HR, Town Clerk's Department	

Summary

The Localism Act 2011 requires the City of London Corporation to prepare and publish a Pay Policy Statement setting out its approach to pay for the most senior and junior members of staff. This must be agreed each year by the full Court of Common Council.

This Committee has now received the Pay Policy Statements since 2012. The Statement has now been updated for 2019/20 and is being presented for consideration by this committee prior to submission to the Policy & Resources Committee on 21 February and Court of Common Council on 7 March 2018.

The Statement generally updates the information provided in previous versions of the Statement, including details of the 2018-20 Pay Award and changes to the City of London's policy on paying London Living Wage.

Recommendations

Members are asked to:

- agree the attached draft Pay Policy Statement 2019/20 to ensure the City Corporation meets its requirements under the Localism Act 2011, to enable it to be forwarded to the Policy & Resources Committee and Court of Common Council for further necessary approvals.

Main Report

Background

1. Under Section 38(i) of the Localism Act 2011 (the Act), all local authorities are required to produce and publish a statement setting out their pay policies. The aim of the Act is that authorities should be open, transparent and accountable to local taxpayers. Pay statements should set out the authority's approach to issues relating to the pay of its workforce, particularly its most senior staff and its lowest paid employees.
2. The Department for Communities and Local Government publishes guidance to the relevant parts of the Localism Act and a Code of Recommended Practice for Local Authorities on Data Transparency which is also of relevance in complying with the Act. The City Corporation must have regard to this guidance in formulating a Pay Policy Statement.

3. The Pay Policy Statement must be agreed and published by 31 March each year, including agreement by the full Court of Common Council in open session. Should any changes to the Statement arise during the year, a revised Statement must come before the full Court.

Current Position

4. Attached to this report is an updated draft Pay Policy Statement for 2019/20 for consideration by Members. Subject to any comments from your Committee and the Policy & Resources Committee, the draft Statement will be placed before the Court at its meeting in March to enable the City Corporation to meet the deadlines specified in the Act. The draft Pay Policy Statement 2019/20 is included as Appendix 1.
5. In addition to updating the Statement for the 2018-20 pay award there are a number of other changes to note:
 - a. An additional post (Chief Grants Officer & Director of the City Bridge Trust) has been added to the SMG staffing structure, following changes to the post's corporate and strategic responsibilities.
 - b. The bringing forward of the date from which the City Corporation pays the London Living Wage to its lowest-paid staff, which was previously the 1 April following the November announcement of the new rate, and is now (from 2018) the actual date of its announcement, following the decision to this effect by the Policy & Resources Committee in October.
 - c. Confirmation of the first report of the City Corporation in line with the legislation on the Gender Pay Gap.
6. The policy statement has not been amended to reflect changes that may arise from the Government's stated intention to introduce restrictions on exit pay packages for employees leaving public-sector jobs. Regulations were laid before Parliament on 24 January 2017 putting into law from 1 February 2017 the power of the Government to issue further regulations making restrictions on exit pay packages. Such regulations have not been introduced, but a Private Members' Bill (the Public-Sector Exit Payments (Limitation) Bill 2017-19) had its first reading in Parliament on 5 September 2017. Its second reading was originally timetabled for 1 December 2017, but this has since been deferred on several occasions, and the new expected date of its second reading is 25 January 2019. The Bill has now been published and aims to compel the Treasury to lay before parliament a draft of the regulations which it has since 1 February 2017 been empowered to issue.. Members may wish to note that if the Bill follows the previous Government line on this matter (advocated in consultation before the 2017 Regulations were made) it may (if passed into law) require some amendment to our severance packages for high-earning employees, and give rise to considerations about how we deal with the pension provision for employees aged 55 or over who are dismissed for reasons of redundancy or business efficiency (see paragraphs 32 and 34 of the Statement). However, insofar as the 2017 Regulations allow the Government to impose such restrictions by Statutory Instrument without awaiting a further Act of Parliament

to compelling them to do so it may be that enthusiasm for this is waning. In any case, it is not possible at this stage to make firm policy commitments on it. Members should note that the Localism Act enables the Pay Policy Statement to be amended at any time when statute or internal policy requires it, and so any required revisions to the Statement will be put to Members when or if the requirement for them is clear.

Conclusion

7. To meet the requirements of the Localism Act, the City Corporation must agree and publish a Pay Policy Statement which has been agreed in open Court of Common Council. Members are asked to consider and agree the draft Statement as presented for forwarding to the Policy & resopurces Committee and Court of Common Council.

Appendices

Appendix 1: Draft Pay Policy Statement 2019/20

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CITY OF LONDON CORPORATION

PAY POLICY STATEMENT 2019/20

Introduction

1. Section 38(i) of the Localism Act 2011 (the Act) has required local authorities since the financial year 2012/13 to produce a pay policy statement for each financial year. This applies to the City of London Corporation in its capacity as a local authority and this document meets the requirements of the Act for the City of London Corporation for the financial year 2019/20.
2. We are required to set out our approach to a range of issues, particularly those relating to remuneration for the most senior staff and our lowest-paid staff. These provisions do not apply to staff of local authority schools or teaching staff in the three independent schools run by the City of London Corporation.
3. The provisions of the Act require that authorities are more open about their local policies and how local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks authorities to follow three principles when publishing data they hold: responding to public demand; releasing data in open formats available for re-use; and, releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.
4. All decisions on pay and reward for senior staff must comply with this Statement. The Statement must be reviewed annually and agreed by the Court of Common Council.
5. The Localism Act applies to the City of London Corporation only in its capacity as a local authority. In general, and in keeping with the spirit of openness, this Statement does not try to distinguish between information which applies to the City Corporation as a local authority and that which applies to it in any of its other capacities. However, insofar as the Act specifically excludes police authorities from its remit, this Statement does not include information about Police Officers. The Act does not require authorities to publish specific numerical data on pay and reward in their pay policy document. However, information in this Statement should fit with any data on pay and reward which is published separately. The City Corporation operates consistent pay policies which are applied across all of our functions. Further details of the current Grade structures and associated pay scales can be seen below.

Salary Scales effective from 1 October 2018:

Grade	Min Salary (£)	Max Salary (£)	No. of employees
Grade A	£15,200	£16,150	184
Grade B	£17,090	£19,840	620
Grade C	£22,310	£25,890	832
Grade D	£28,140	£32,640	691
Grade E	£32,640	£37,810	546
Grade F	£41,320	£47,920	399
Grade G	£49,340	£57,240	177
Grade H	£57,240	£66,320	84

Grade I	£66,320	£76,870	25
Grade J	£79,190	£91,810	19
Senior Management Grade (SMG)	£80,770	£248,300	15
<p>The figures given are for Base pay only. Employee numbers are those at the time of the January 2019 pay roll. Any employee on Grades A-J who manages or supervises another employee on the same Grade has a separate pay scale paying up to 6.1% greater than the salary on the substantive Grade. Any employee on Grades A-J who is in a residential post has a separate pay scale paying 12.5% less than the salary on the substantive Grade. The figures for employees in each Grade in the table above include those on the relevant supervisory and residential scales. All employees on Grades A-J and in the SMG also receive a London Weighting allowance. The allowance does not differ between Grades of staff.</p>			
Teacher Grades	£29,200	£59,650	
Senior Teacher Grades	£69,650	£146,030	
<p>Figures for Teacher Grades exclude any additional responsibility allowances payable. Figures for Senior Teacher Grades include all payments.</p>			

This information is reviewed, updated and published on a regular basis in accordance with the guidance on data transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that all Police Officer pay scales are nationally determined and as such do not form part of the City Corporation's Pay Policy.

6. A two-year Pay Award covering 2018-20 for staff in Grades A-J and the SMG was negotiated with the recognised Trade Unions and staff representatives for these employees in 2018, and agreed by the Court of Common Council in July 2018. The Pay Award provided for a 2.45% increase on all salaries in Grades A-C and a 2% increase on all Graded salaries in Grades D and above, including the SMG, and a 5% increase on London Weighting allowance rates for all staff. These increases would be applied in each of the two years of the agreement, from 1 July 2018 in the first year and from 1 July 2019 in the second. The Pay Award also provided for restructures of Grade A (the City of London Corporation's lowest pay Grade) from 1 October in each of the years covered by the Award. The bottom point of the scale will be removed in each year and the top point of the scale will move up one point. The Base pay scales for employees in Grades A-J and the SMG that will apply from 1 July 2019 are as given below:

Grade	Min Salary (£)	Max Salary (£)
Grade A (from 1 July 2019)	£15,570	£16,550
Grade A (from 1 Oct 2019)	£16,040	£17,020
Grade B	£17,510	£20,330
Grade C	£22,860	£26,520
Grade D	£28,700	£33,290
Grade E	£33,290	£38,570
Grade F	£42,150	£48,880
Grade G	£50,330	£58,380
Grade H	£58,380	£67,650
Grade I	£67,650	£78,410
Grade J	£80,770	£93,650
Senior Management Grade (SMG)	£82,390	£253,270
The figures given are again for Base pay only. Employees on Grades A-J who manage or supervise another employee on the same Grade will continue to have a separate pay scale paying up to 6.1% greater than the salary on the substantive Grade, and employees on Grades A-J in residential posts will continue to have a separate pay scale paying 12.5% less than the salary on the substantive Grade. All employees in Grades A-J and in the SMG will continue to receive a separate London Weighting allowance, not differing between Grades of staff.		

The two-year Pay Award does not cover Teachers and their pay scales will be subject to the usual negotiations with their recognised Trade Union and staff representatives next year.

7. The Act's provisions do not supersede the City Corporation's autonomy to make decisions on pay which are appropriate to local circumstances and deliver value for money for local taxpayers. We seek to be a fair employer and an employer of choice - recognising and rewarding the contributions of staff in an appropriate way. We set pay fairly within published scales and, in doing so, have regard to changing conditions in differing occupational and geographic labour markets.

Background

8. All pay and terms and conditions of service are locally negotiated with our recognised trade unions or staff representatives. In 2006/07 extensive work was undertaken on a review of our pay and grading structures. As a result, the principles set out in the guidance to the Act have already generally been addressed although the Act set out some additional requirements which are covered by this statement.
9. In 2007 we implemented a number of core principles, via collective agreement, to form the City Corporation's pay strategy. This moved the pay and reward strategy from one based entirely on time-served increments to one which focusses on a balance between incremental progression, individual performance and contribution to the success of the organisation. A fundamental element of the strategy is that

achievement of contribution payments is more onerous and exacting the more senior the member of staff.

10. All non-teaching staff employed by the City Corporation below the Senior Management Grade are allocated to one of the 10 Grades (Grades A-J), other than in a very small number of exceptional cases, such as Apprentices. All such posts were reviewed under Job Evaluation, ranked in order and allocated to a Grade following the 2007 Review. The evaluation scheme was independently equalities-impact assessed to ensure that it was inherently fair and unbiased. New posts and any existing posts that change their levels of responsibility etc. continue to be evaluated and ranked under the scheme. The scheme, how it is applied, the scoring mechanism and how scores relate to Grades are published on our Intranet, so staff can be assured that the process is fair and transparent. In addition, there is an appeal mechanism agreed with the recognised trade unions and staff representatives.
11. The London Living Wage (LLW) is applied as a minimum rate for all directly employed staff, including Apprentices since April 2017. Casual staff and agency workers have also been paid the London Living Wage since 2014. Until 2018, LLW increases have been applied from 1 April each year in line with the most recently announced LLW increase. However, in October 2018, the City Corporation's Policy & Resources Committee agreed that LLW increases should be applied in this and future years to affected employees and other staff from the date of the increase's announcement, which in 2018 was on 5 November.
12. It should be noted that not all of the pay and employment costs incurred by the City of London Corporation are funded from public resources. As well as having statutory local authority functions, the Corporation has private and charitable functions which receive funding through income from endowment and trust funds, and the pay and employment costs of these functions are met from these funds.

Staff below Senior Management

13. The lowest Graded employees are in Grade A as determined by the outcomes of the Job Evaluation process. In 2016 the bottom two incremental points of this Grade were removed and an additional point was added to the top of it, and the two-year Pay Award for 2018-20 further restructures Grade A to give it additional points at the top while removing points from the bottom. The current lowest point on Grade A is now £21,290, including a London Weighting allowance for working in Inner London. The current pay range for Grades A - J is £21,290 to £97,900 inclusive of Inner London Weighting of £6,090 for non-residential employees.
 - Grades A-C are the lowest grades in the City Corporation. Grade A has 4 increments and Grades B and C have 6 increments, and progression through each Grade can be achieved by annual incremental progression subject to satisfactory performance. There is no Contribution Pay assessment. However, employees at the top of these Grades have the opportunity if they have undertaken exceptional work to be considered for a Recognition Award up to a maximum level set corporately each year (this has been £500 in each year since 2010).

- Grades D-J have 4 'core' increments and 2 'contribution' increments. Progression through the 4 'core' increments is subject to satisfactory performance. Progression into and through the 2 'contribution' increments requires performance to be at a higher than satisfactory level. Once at the top of the scale, for those who achieve the highest standards of performance and contribution, it is possible to earn a one-off non-consolidated Contribution Payment of up to 3% or 6% of basic pay depending on the assessed level of contribution over the previous year.

14. The City of London operates a distribution curve to advise on a fair and consistent distribution of Contribution Payments for staff in Grades D-J. This helps to place limits on the number of eligible employees who, in any one year, progress to the two highest increments on the relevant Grades or receive a Contribution Payment. For the appraisal year ending March 2018, 62% of eligible employees were allowed to move into the two higher contribution increments and 62% of eligible staff received a one-off non-consolidated contribution payment.

Senior Management

15. The Senior Management Grade comprises the most senior roles in the organisation. As these are distinct roles, posts are individually evaluated and assessed independently against the external market allowing each post to be allocated an individual salary range within the Grade. Any increase in salary (whether through incremental progression or a cost-of-living award) is entirely dependent on each individual being subject to a rigorous process of assessment and evaluation, and is based on their contribution to the success of the organisation.

16. The term Senior Management incorporates the following posts:

- Town Clerk & Chief Executive
- Chamberlain
- Comptroller & City Solicitor
- Remembrancer
- City Surveyor
- Director of the Built Environment
- Managing Director of the Barbican Centre
- Principal of the Guildhall School of Music & Drama
- Director of Community & Children's Services
- Director of the Economic Development Office
- Executive Director of Mansion House and the Central Criminal Court
- Director of HR
- Director of Markets & Consumer Protection
- Director of Open Spaces
- Chief Grants Officer & Director of the City Bridge Trust

17. The Head Teachers of the City of London School, City of London School for Girls and City of London Freemen's School are not part of the Senior Management Group for the purposes of pay (their pay is governed by a separate senior teaching pay scale, as outlined in paragraph 5). The pay of the post of Remembrancer is aligned to Senior Civil Service pay scales.

18. Following the principles outlined above, the pay ranges for the Senior Management Grade were set with reference to both job evaluation and an independent external market assessment. The principles of this were agreed by the Court of Common Council in 2007 and, subsequently, the specific unique range for each senior management post was agreed by the Establishment Committee in October 2007, subject to alteration thereafter when the duties or responsibilities of posts or other external factors relevant to their pay and reward change. Current Senior Management salary scales are from £80,770 to £248,300, excluding London Weighting.
19. Each Senior Management Grade post is allocated a range around a datum point. There is a maximum and minimum (datum plus 9% and datum minus 6% respectively) above and below which no individual salary can fall. Where a pay increase for a member of staff would take them above the maximum in a given year, the excess amount above the maximum may be paid as a non-consolidated payment in that year. This does not form part of basic salary for the following year and will, therefore, have to be earned again by superior performance for it to be paid.
20. Each year the datum point advances by a percentage equivalent to any 'cost of living' pay award. Individual salaries would move according to the table below:

Contribution Level	Salary Change
A Outstanding	Datum % change + up to 6%
B Very Good	Datum % change + up to 4%
C Good	Datum % change
D Improvement Required	0.0%

21. The average payment based on contribution alone has been 3.06% for the appraisal year ending in March 2018. The payments have been largely non-consolidated i.e. they have to be re-earned each year based on superior performance.
22. The Establishment Committee has specific authority to deal with or make recommendations to the Court of Common Council where appropriate on all matters relating to the employment of City of London Corporation employees where such matters are not specifically delegated to another Committee. These matters include the remuneration of senior officers. The Establishment Committee has delegated this to the Senior Remuneration Committee
23. The Town Clerk & Chief Executive determines all salary matters for senior staff (other than in relation to himself) within the existing individual Grades and reward policies in consultation with elected members and the Senior Remuneration Committee. The Director of HR, co-ordinates any such matters in relation to the Town Clerk & Chief Executive in consultation with elected members and the Senior Remuneration Committee.
24. The Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration

including bonuses and performance-related pay as well as severance payments. This should include any policy to award additional fees for Chief Officers for their local election duties.

25. The scheme for pay increases and contribution pay for the Senior Management Grade is set out above. Staff in the Senior Management Grade do not have an element of their basic pay “at risk” to be earned back each year. Progression is, however, subject to successful performance assessed through the application of the performance-appraisal scheme. No one in the Senior Management Grade receives any additional payments or fees for City of London Corporation electoral duties.
26. Set out below are the broad pay ranges for the Senior Management Grade, with the numbers in each band, excluding London Weighting. Each member of staff will have an individual salary scale within these broad ranges.

£80,770 - £115,130	(4)
£111,800 - £150,220	(6)
£154,710 - £190,330	(4)
£214,170 - £248,300	(1)

27. The Act requires authorities to set their policies on remuneration for their highest-paid staff alongside their policies towards their lowest-paid staff, and to explain what they think the relationship should be between the remuneration of their highest-paid staff and other staff. The City Corporation’s pay multiple - the ratio between the highest paid and lowest paid staff - is approximately 1:12. The ratio between the pay of the highest paid member of staff and the median earnings figure for all staff in the authority is 1:7.

Other Payments

28. In addition to basic salary, all Graded staff are paid a London Weighting allowance which varies depending on where they are based and whether they are supplied by the employer with residential accommodation. This is to assist staff with the higher cost of living and working in London. Current levels of London Weighting for non-residential staff are £6,090 for those based in inner London and £3,650 for those based in outer London.
29. As most of the work of the organisation is undertaken in the City of London, there are some types of posts which are difficult to recruit to e.g. lawyers, IT staff etc. Accordingly, there is often the need to use market supplements to attract, recruit and retain highly sought-after skills. Any request for a market supplement must be supported by independent market data and is considered by a panel of senior officers and the Establishment Committee where appropriate.
30. All market supplement payments are kept under regular review and reported to Members. No member of staff in the Senior Management Grade receives a market supplement.

Transparency

31. The Act requires the pay policy statement to make reference to policies in relation to staff leaving the authority, senior staff moving posts within the public sector, and senior staff recruitment.

Recruitment

32. New staff, including those in the Senior Management Grade, are normally appointed to the bottom of the particular pay scale applicable for the post. If the existing salary falls within the pay scale for the post, the new employee is normally appointed to the lowest point on the scale which is higher than their existing salary provided this gives them a pay increase commensurate with the additional higher-level duties. In cases where the existing salary is higher than all points on the pay scale for the new role, the member of staff is normally appointed to the top of the pay scale for the role.

For posts where the salary is £100,000 or more, the following approvals will be required:

- (i) in respect of all new posts, the Court of Common Council;
- (ii) in respect of all existing posts, the establishment Committee.

Payments on Ceasing Office

33. Staff who leave the City Corporation, including the Town Clerk & Chief Executive and staff on the Senior Management Grade, are not entitled to receive any payments from the authority, except in the case of redundancy or retirement as indicated below.

Retirement

34. Staff who contribute to the Local Government Pension Scheme who retire from age 55 onwards may elect to receive immediate payment of their pension benefits on a reduced basis in accordance with the Scheme. Unreduced benefits are payable if retirement is from Normal Pension Age, with normal pension age linked to the State Pension Age from 1 April 2014, unless protections in the Pension Scheme allow for an earlier date. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme following redundancy or business efficiency grounds from age 55 onwards and on grounds of permanent ill-health at any age.
35. Whilst the Local Government Pension Scheme allows applications for flexible retirement from staff aged 55 or over, where staff reduce their hours or Grade, it is the City Corporation's policy to agree to these only where there are clear financial or operational advantages to the organisation. Benefits are payable in accordance with Regulation 27 of the Local Government Pension Scheme Regulations 2013. Unless there are exceptional circumstances, the City does not make use of the discretion allowed by the LGPS Regulations to waive any actuarial reduction in pensions awarded under the flexible-retirement provisions.

Redundancy

36. Staff who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on a week's pay (currently a maximum of £508 per week). The City Corporation currently bases the calculation on 1.5 x actual salary. This

scheme may be amended from time to time subject to Member approval, and has most recently been so amended for staff made redundant on or after 25 October 2017. The authority's policy on discretionary compensation for relevant staff under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 is published on our website.

Settlement of potential claims

37. Where a member of staff leaves the City Corporation's service in circumstances which would, or would be likely to, give rise to an action seeking redress through the courts from the organisation about the nature of the member of staff's departure from our employment, such claims may be settled by way of a settlement agreement where it is in the City Corporation's interests to do so based on advice from the Comptroller & City Solicitor. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Should such a matter involve the departure of a member of staff in the Senior Management Grade or the Town Clerk & Chief Executive, any such compensation payment will only be made following consultation with the Chairmen of Policy & Resources and Establishment Committees and legal advice that it would be legal, proper and reasonable to pay it.

Payment in lieu of notice

38. In exceptional circumstances, where it suits service needs, payments in lieu of notice are made to staff on the termination of their contracts.

Re-employment

39. Applications for employment from staff who have retired or been made redundant from the City Corporation or another authority will be considered in accordance with our normal recruitment policy.

Publication of information relating to remuneration

40. The City Corporation will seek to publish details of positions with remuneration of £50,000 or above in accordance with the Accounts and Audit Regulations 2015 and the Local Government Transparency Code issued by the Secretary of State for Communities and Local Government.
41. This Pay Policy Statement will be published on our public website. It may be amended at any time during 2018/19 by the resolution of the Court of Common Council. Any amendments will also be published on our public website.
42. This statement meets the requirements of the: Localism Act 2011; the Department for Communities and Local Government (DCLG) guidance on "Openness and accountability in local pay: Guidance under section 40 of the Localism Act" (including any supplementary Guidance issued); "The Local Government Transparency Code 2015"; and the Accounts and Audit Regulations 2015.
43. From 2018, the City of London Corporation is required under the Equality Act 2010 to publish information every year showing the pay gap between male and female employees. The organisation's first such report was published in March 2018.

January 2018