

<b>Committee(s):</b>	<b>Date(s):</b>
Establishment Committee	26 February 2018
<b>Subject:</b> Remuneration Sub Committee	<b>Public</b>
<b>Report of:</b> Town Clerk & Chief Executive and Director of Human Resources	<b>For Decision</b>
<p><b>Summary</b></p> <p>The officers in the Senior Management Group (SMG) are subject to a formal appraisal scheme (as are all employees). They are formally appraised by the Town Clerk annually and he determines their pay progression. All progression is limited to a pre-determined pay range (approved by Members) and a maximum “one off” contribution payment of up to 6% of basic salary for those who have reached the top of their pay range. The Town Clerk currently consults with the Chairmen of Policy &amp; Resources, Establishment Committee and Finance Committee prior to authorising such payments. The Chairman of Policy &amp; Resources recommends any pay progression awards for the Town Clerk &amp; Chief Executive. It is now proposed that the Member consultation arrangements on SMG pay progression be reviewed and consider the creation of a Remuneration Sub Committee.</p> <p style="text-align: center;"><b>Recommendation</b></p> <p>It is proposed that:</p> <ul style="list-style-type: none"> <li>• Members consider the proposal to create a Remuneration Sub-Committee</li> <li>• Members consider the membership of the Sub-Committee</li> <li>• Members consider the draft terms of reference of the Sub-Committee</li> </ul>	

## Main Report

### **Background**

1. At their meeting on 26 April 2007 the Establishment Committee agreed changes to the pay and grading structure for the City of London Corporation. This involved a wide-ranging modernisation programme comprising a new, simplified grading structure, more emphasis on individual employee contribution in determining pay progression, and extensive use of non-consolidated bonuses in recognition of individual performance.

2. Establishment Committee and Policy and Resources Committee, and Court of Common Council approved significant changes in the way that senior officers should be rewarded, moving away from any form of “automatic” pay progression and making all progression dependent on performance.
3. All of the then Chief Officer salary packages were reviewed by an independent consultancy (INBUCON), matched against data for all London Boroughs and were considered by a review group comprising The Chairman of Establishment Committee, The Town Clerk, The Director of Human Resources and a pay and grading consultant. The salary for the Director of Human Resources was reviewed by the Town Clerk, The Chairman of Establishment Committee and the pay and grading consultant.
4. The Town Clerk and Chief Executive’s salary range was considered separately by the Chairman of Policy and Resources and the Chairman of Establishment Committee, and was dealt with in a separate report.
5. The report agreed by Establishment Committee on 26 April 2007 stated that the top twenty or so management jobs were quite distinct from one another. The previous system of five grades [15-19] for these jobs failed to recognise the differences between them and the impact of market forces on remuneration in the different roles and professions. The Committee agreed the proposals for the Senior Management Group (SMG), covering the same monetary range as grades 15-19 (i.e. excluding the Town Clerk & Chief Executive). Each post was evaluated and modified by an external market assessment allowing each post to be allocated to an individual salary range.
6. The Committee further agreed that where the appropriate pay increase for a given employee would take them above the maximum in a given year, the excess amount above the maximum would not be consolidated into basic pay, instead it would be paid as a non-consolidated bonus. It would not form part of base salary in the following year on which that year’s salary increase would be calculated and would, therefore, have to be earned again that year for it to be retained. The majority of the Senior Manager grades mapped across into the new system on their existing salary ranges. Two posts increased by 3% and two posts reduced by 3%.
7. In November 2014 the Committee considered a pay review of the Senior Management grade and moved two posts to a higher salary range. At that meeting members discussed whether a full review of all the Senior Manager grades should be undertaken.
8. The Committee was advised that the age profile of the SMG at that time was such that there would be a number of Senior Managers who would be expected to retire in the near future. This was likely to place an upward pressure on the pay structure to ensure that the best candidates be employed. It was agreed that the remuneration of the SMG remained unchanged and would be reviewed on an individual basis as vacancies occur or on an annual basis, whichever is sooner.

9. Since 2014 of the 11 remaining roles within the SMG eight have been recruited to and all were reviewed and market tested as part of the recruitment process.
10. It is now proposed to establish a Remuneration Committee of senior Members to oversee and scrutinise the annual performance awards and pay ranges for the Senior Managers. Members of the Committee would include the Chairman and Deputy Chairman of Establishment Committee, Chairman and Deputy Chairman of Policy & Resources Committee, Chairman of the Finance Committee and Chairman of General Purposes Committee. Further options would be to include other Members and co-opted external members on this Sub Committee, appointed by the Establishment Committee.
11. A draft terms of reference is appended.

Chrissie Morgan  
Director of HR  
0207 332 1424  
[chrissie.morgan@cityoflondon.gov.uk](mailto:chrissie.morgan@cityoflondon.gov.uk)

## Remuneration Sub-Committee

### **Draft Terms of Reference**

To be responsible for the:

- oversight and scrutiny of the remuneration of the Town Clerk & Chief Executive and the Senior Management Group grades;
- oversight and scrutiny of the remuneration, of any other employee whose remuneration exceeds £100,000
- conducting a regular review of the Corporation's approach to the pay and reward of its senior officers.

The Senior Management Remuneration Sub-Committee would comprise:-

- Chairman and Deputy Chairman of Establishment Committee
- Chairman and Deputy Chairman of Policy & Resources Committee
- Chairman of Finance Committee
- Chairman of the General Purposes Committee

