

Establishment Committee	Dated: 3 December 2021
Subject: 2022/23 Pay Policy Statement	Public
Report of: Jan Davies, Executive Director of Human Resources	For Decision
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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 for the succeeding financial year. This must be agreed each year by the full Court of Common Council. Preceding this, the Statements have been considered in previous years by the Establishment and Polkicy & Resurces Committees. In order to fit in with other commitments of your Committee in January, and the subsequent electoral cycle, the Statement is this year presented earlier than usual.

Statements have been produced each financial year since 2012/13. They are generally written to incorporate the requirements of the relevant legislation and its Government Guidance, but updated as relevant City of London pay information or policies change.

The Statement was altered in format last year following discussions with the now-Chair of your Committee, such that it divided its main sections into a "policy overview" and details of that policy's current implementation. That format has been followed again this year. It still, however, contains all the essential requirements that the legislation requires to be incorporated into the statutory Statement.

This report sets out the legislative requirements under which Pay Policy Statements are produced.

It should be noted that Pay Policy Statements are not, as such, a "statement on pay policies", but rather a narrowly defined legislative requirement spelling out clearly and transparently certain specificied current pay practices. As such they are required to be an "as is" statement, rather than a prediction of what will happen. Although the Statements in format have (legally) in their title the financial year following their date of publication, they are required to be an accurate statement of practice at the time of publication, not a prediction of what will or may happen over the succeeding 12 months.

The draft 2022/23 Pay Policy Statement is attached as an Appendix, along with a version of it showing tracked changes from the 2021/22 Statemnet as agreed by the Court in March.

Recommendations

Members are asked to agree the Pay Policy Statement for 2022/23 and recommend it to Policy and Resources Committee for agreement and forwarding to the Court of Common Council.

Main Report

Background

1. The requirement for local authorities to produce Pay Policy Statements was introduced under section 38(1) of the Localism Act 2011 (the Act). This states that “*A relevant authority must prepare a pay policy statement for the financial year 2012-2013 and each subsequent financial year*”. In the City Corporation’s case, it is a “*relevant authority*” only in its capacity as a local authority. However, and in general, the City has not tried to distinguish in its Pay Policy Statements its local-authority capacities from any of its other undertakings, other than where these are specifically excluded from the remit of the 2011 Act.
2. The aim of the Act is that authorities should be open, transparent and accountable to local taxpayers, and this advice is repeated or expanded upon in various pieces of Government guidance, and a Code of Recommended Practice for Local Authorities on Data Transparency, having statutory effect. The main themes of these are transparency, fairness and accountability. Pay Policy Statements should set out the authority’s approach to issues relating to the pay of its workforce, and in particular to the pay of its “Chief Officers” and the pay of its lowest paid employees.
3. Section 38 of the Act goes on to outline certain features which must be included within Pay Policy Statements.
 - Section 38(2) says that the Statements must set out the authority’s policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest-paid employees and the relationship between the remuneration of its chief officers and the remuneration of any other employees.
 - Section 38(3) says that the Statements must state the definition of “lowest-paid” employee adopted by the authority and its reasons for adopting that definition.
 - Section 38(4) says that the Statements must include the authority’s policies relating to the level and elements of remuneration for each chief officer, remuneration of chief officers on recruitment, increases and additions to remuneration for each chief officer, the use of

performance-related pay and bonuses for chief officers, the approach to the payment of chief officers when they cease to be employed and the publication of and access to information relating to chief officers' remuneration.

4. The definition of "Chief Officers" given in the Localism Act (under section 43(2)) is that of the Local Government and Housing Act 1989, and incorporates the latter Act's definitions of both "Chief Officers" and "Deputy Chief Officers". This is a much wider definition than the conventional definition of "Chief Officer" used in the City Corporation (generally denoting a head of department) and also wider than that which governs posts included in our Senior Management Group.
5. Under the Local Government and Housing Act, a "Chief Officer" is
 - the authority's head of the paid service (the Town Clerk & Chief Executive, in the City Corporation's case),
 - any person who in general answers directly to the head of the paid service, and
 - any person (irrespective of whether they report directly to the head of the paid service) who in general is required to report directly to the authority itself or to any Committee or sub-Committee of the authority.

A "Deputy Chief Officer" under the Act is anyone who reports directly to any person defined as a Chief Officer.

6. The only employees who could be caught by any of these definitions who are excluded from them under the 1989 Act are those employees engaged principally in clerical or secretarial support, or who are responsible for other support services.
7. The 1989 Act applies to the City only in its capacities as a local authority, police authority and port health authority. However, in keeping with the commitment to wider transparency in our Pay Policy Statements, the basic definitions of "Chief Officer" and "Deputy Chief Officer" given in the 1989 Act have been applied in our Pay Policy Statements to all relevant employees of the City Corporation, irrespective of the capacity or capacities they work under, other than where their duties are specifically excluded from the provisions of the Localism Act.
8. The Localism Act makes supplementary provisions relating to Pay Policy Statements in its section 39. This says that the authority's Pay Policy Statement must be approved by a resolution of the authority by the 31 March before the financial year to which it relates, that the Statement may (again by resolution of the authority) be subsequently amended after the beginning of the financial year, and that, as soon as is reasonably practicable after its approval or amendment, the Statement must be published on the authority's website.

9. The general notion of the Act in relation to the Statements is that *“the Act’s provisions will ensure that communities have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, the provisions will ensure that policies on the pay and reward of the most senior staff are set out clearly within the context of the pay of the wider workforce”*.

Current Position - City of London Pay Policy Statement 2022/23

10. A draft Pay Policy Statement for 2022/23 is attached. This is required to be approved by the Establishment and Policy & Resources Committees before being forwarded to the full Court of Common Council. It follows the format of last year’s Statement, in that its main sections (after an introduction covering the legislative requirements in producing Statements) are now divided into a Policy Overview (Paragraphs 7-31), giving the background to policies relevant to the statutory requirements of Pay Policy Statements, and an account of Policy Implementation (Paragraphs 33-50), giving the current position of how such policies are implemented.
11. A version showing tracked changes from the 2021/22 Statement as approved by the Court in March is also attached, such that Members can see at a glance where changes have been made. These include where figures and other statistical information have been changed within various tables that appear in the Statement.
12. It should be noted that a Pay Policy Statement is not, as such, a “statement on pay policies”, giving an account of all matters connected with remuneration in local authorities, but the putting into practice of a narrowly defined legislative requirement. The information presented by this statutory requirement has to be clear and accessible, and it is in keeping with that requirement to ensure that extraneous material is kept to a minimum.
13. In keeping with this, Pay Policy Statements are also meant to be an accurate account of current pay practices. These may change over the course of the year covered by the Statement, but it is not the job of the Statement to make predictions on this. Legislation allows Statements to be changed as policy or practice alters over the year, but until it does the Statement should reflect what is the current situation.

Conclusion

14. To meet the requirements of the Localism Act, the City Corporation must agree and publish a Pay Policy Statement before each financial year. This report introduces for approval the draft Statement for 2022/23 and recommends its forwarding to the Policy & Resources Committee and Court of Common Council for the further necessary approvals.

Appendices

Appendix 1: Draft Pay Policy Statement 2022/23

Appendix 2: Draft Pay Policy Statement 2022/23 showing tracked changes from 2021/22

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