



## Report – Establishment Committee Draft Pay Policy Statement 2013/14

*To be presented on Thursday, 7<sup>th</sup> March 2013*

*To the Right Honourable The Lord Mayor, Aldermen and Commons  
of the City of London in Common Council assembled.*

### **SUMMARY**

1. 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 by the full Court of Common Council.
2. The Court approved the Corporation's first pay policy statement this time last year. This was published by 31<sup>st</sup> March 2012. The statement, which has been separately circulated, has now been updated for 2013/14 and has been approved by both the Establishment and the Policy and Resources Committee and, with your agreement, will be published by 31<sup>st</sup> March 2013.

### **RECOMMENDATION**

3. We **recommend** that you consider and agree the separately circulated draft Pay Policy Statement for 2013/14 to ensure that the City Corporation meets its requirements under the Localism Act 2011.

All of which we submit to the judgement of this Honourable Court.

DATED this 31<sup>st</sup> day of January 2013.

SIGNED on behalf of the Committee.

**JOHN ALFRED BARKER OBE, DEPUTY  
Chairman**

## **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 senior staff (or chief officers) and its lowest paid employees.
- 2) The Department for Communities and Local Government has published draft guidance and the City Corporation must have regard to this guidance in formulating a pay policy statement. In addition, the Secretary of State has published a Code of Recommended Practice for Local Authorities on Data Transparency which is also of relevance in complying with the Act.
- 3) The pay policy statement must be agreed and published by 31<sup>st</sup> March each year. The statement must be agreed, each year, by the full Court of Common Council in open session. Should any changes to the pay statement arise during the course of the year, a revised statement must come before the full Court.

**Appendices:** Draft Pay Policy Statement for 2013/14.

## CITY OF LONDON CORPORATION

### PAY POLICY STATEMENT 2013/14

#### Introduction

1. Section 38(i) the Localism Act 2011 (the Act) required local authorities to produce a pay policy statement for the financial year 2012/13 and each subsequent 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 2013/14.
2. We are required to set out our approach to a range of issues, particularly those relating to remuneration for senior staff (or Chief Officers) and our lowest paid employees. These provisions do not apply to staff of local authority schools or teaching staff in the three City Schools.
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 officers must comply with this statement. The statement must be reviewed annually and agreed by the Court of Common Council.
5. This statement relates to our local, police and port health authority functions. This statement relates to our local, police and port health functions. The City also provides services and activities from City's Cash (an historic endowment fund) and from Bridge House Estates (a charity). Expenditure on salary costs are met across all three funds depending on the particular nature of the service. Further information can be found in our published Statement of Accounts. (link to be added)
6. 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 grade structures and associated pay scales can be found on our website at:  
[www.cityoflondon.gov.uk/corporation/lgnl\\_services/council\\_and\\_democracy/salary\\_scales.htm](http://www.cityoflondon.gov.uk/corporation/lgnl_services/council_and_democracy/salary_scales.htm) [check and update data and link]

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.

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 employee. During 2013 we will be reviewing our pay strategy to ensure it continues to meet organisational needs.

## **Staff below Chief Officers**

10. All staff employed by the City Corporation below Chief Officer have been allocated to one of 10 grades, Grades A – J. All posts were reviewed under Job Evaluation, ranked in order and allocated to a grade following the Pay & Grading Review in 2007. The evaluation scheme was independently equalities impact assessed to ensure it was inherently fair and unbiased. 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 lowest graded and paid staff are in Grade A as determined by the outcomes of the job evaluation process. The current lowest point on Grade A is £17,340 including a supplement for working in Inner London. The current pay range for grades A - J is £17,340 to £88,840 inclusive of Inner London Weighting.

Grades A – C are the lowest grades in the City Corporation. They have 6 increments which can be achieved subject to satisfactory performance. There is no contribution pay assessment. However, staff have the opportunity to be considered for a Recognition Award of up to £500 for a one-off exceptional piece of work.

Grades D – J have 4 ‘core’ increments and 2 ‘contribution’ increments. Progression through the 4 increments in the core zone is subject to satisfactory performance. Progression 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 re-earn a one-off non-consolidated contribution payment of up to 3% or up to 6% of basic pay depending on the assessed level of contribution.

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. There is no automatic right to a cost of living increase or incremental progression within the Senior Management Grade. Any increase in salary 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.

12. The City Corporation operates a forced distribution curve to ensure a fair and consistent distribution of contribution payments for staff in Grades D – J. This ensures that in any one year, no more than approximately 75% of eligible staff are able to progress to the 2 higher contribution increments. Approximately 50% of eligible staff may receive a one-off contribution payment in any given year. For the appraisal year ending March 2012, 70.3% of eligible staff were allowed to move into the two higher contribution increments and 53.2% of eligible staff received a one-off non-consolidated contribution payment.

### **Senior Pay/Chief Officers**

13. The term Senior Officer includes the Town Clerk & Chief Executive, Monitoring Officer (Comptroller & City Solicitor), Responsible Financial Officer (Chamberlain) and those fulfilling statutory chief officer roles as set out under section 2(6) of the Local Government and Housing Act 1989. It also includes other non-statutory chief officers as outlined in section 2(7) of the Act plus all officers for whom the Town Clerk & Chief Executive is directly responsible, who report directly or are directly accountable to him. This does not include those whose duties are solely secretarial or administrative. The posts that fall into the Senior Management Grade are:

- Town Clerk & Chief Executive
- Chamberlain
- Comptroller & City Solicitor
- Remembrancer
- City Surveyor
- Director of the Built Environment
- City Planning Officer
- Managing Director of the Barbican Centre
- Principal of the Guildhall School of Music & Drama
- Director of Community & Children’s Services
- Deputy Town Clerk

- Director of Economic Development
- Private Secretary & Chief of Staff to the Lord Mayor
- Director of Human Resources
- Director of Culture, Heritage & Libraries
- Director of Markets & Consumer Protection
- Director of Open Spaces

14. 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 carried out by Inbucon. 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. Current senior officer salary scales are published on our website at:  
[www.cityoflondon.gov.uk/corporation/lgnl\\_services/council\\_and\\_democracy/salary\\_scales.htm](http://www.cityoflondon.gov.uk/corporation/lgnl_services/council_and_democracy/salary_scales.htm) [\[Check link\]](#)
15. Each senior/chief officer post is allocated a range around a datum point. There is a maximum and minimum (datum + 9% and datum – 6% respectively) above which and below no individual salary can fall. Where a pay increase for an employee 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.
16. 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:

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

It should be noted that in the past three years of operation, no member of the Senior Management Grade has been awarded 6%. The average payment has been 2.8%. The payments have been largely non-consolidated ie they have to be re-earned each year based on superior performance. There have been no cost of living awards or other payments to Chief Officers since 2008.

17. All pay increases for any senior staff in the Senior Management Grade are agreed by a Senior Remuneration panel comprising the Chairmen of Policy & Resources, Finance and Establishment Committees supported by either the Town Clerk and Chief Executive or the Director of HR. The Town Clerk & Chief Executive deals with all salary discussions for senior staff other than in relation to himself. The Director of HR deals with any pay discussions in relation to the Town Clerk & Chief Executive.
18. 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, 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.

19. The scheme for pay increases and contribution pay for chief officers is set out above. Senior staff 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 chief officer receives any other additional payments or fees for electoral duties.
20. Set out below are the broad pay ranges for senior officers, with the numbers in each band, excluding London Weighting. Each officer will have an individual salary scale within these broad ranges.

Senior Officers	£75,880 - £111,450 (6)
	£101,990 - £137,050 (8)
	£145,420 - £173,610 (2)
	£195,390 - £226,530 (1)

21. The Act requires authorities to set their policies on remuneration for their highest paid staff alongside their policies towards their lowest paid employees and to explain what they think the relationship should be between the remuneration of chief officers and non-chief officers. The City Corporation’s pay multiple – the ratio between the highest paid and lowest paid employee is 1:11. The ratio between the taxable earnings for the highest paid employee and the median earnings figure for all employees in the authority is 1:7.
22. There have been no cost of living pay awards for staff since 2008/09. A one-off non-consolidated payment of £250 was made in 2011 to staff earning less than £21,000 per annum (Grades A and B). In 2012, there was no cost of living increase. Instead, Inner and Outer London Weighting was adjusted to reflect the higher costs of living and commuting in London. This increase was not paid to Chief Officers.
23. As at January 2013, no directly employed member of staff was paid below the London Living Wage. In addition, it has been agreed that all casual and agency workers will be paid the London Living Wage from 1 April 2013.

### **Other Payments**

24. In addition to basic salary, all staff are paid a London Supplement which varies depending on where they are based and whether they live in residential accommodation. This is to assist staff with the higher cost of commuting and living in London. Current levels of London Weighting are £5,080 for those based in inner London and £3,050 in outer London. All annual cost of living awards or increases to London Weighting are approved by the full Court.
25. Being based in the City of London, there are some types of post 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 requests for market supplements must be supported by independent market data and is considered by a panel of senior officers and the Chairman and Deputy Chairman of Establishment Committee where appropriate.

26. For officers at Grade I or above, any market supplement requires a formal Member committee decision based on a full business case. All market supplement payments are kept under regular review and reported to Members on an annual basis. No Chief Officer receives a market supplement.

### **Transparency**

27. 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**

New employees, including chief officers, are normally appointed to the bottom of the particular pay scale applicable for the post. If the employee's existing salary falls within the pay scale for the post, the employee is normally appointed to 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 employee is normally appointed to the top of pay scale for the role although Establishment Committee may consider exceptional cases where appointments beyond the maximum of the grade are required.

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**

Employees who leave the City Corporation, including the Town Clerk & Chief Executive and chief officers, are not entitled to receive any payments from the authority, except in the case of redundancy or retirement as indicated below.

### **Retirement**

Employees who contribute to the Local Government Pension Scheme who elect to retire at age 60 or over are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme with the permission of the authority in specified circumstances from age 55 onwards and on grounds of permanent ill-health at any age.

Whilst the Local Government Pension Scheme allows applications for flexible retirement from employees aged 55 or over, it has been the City Corporation's policy not to agree these for any individual under the age of 60 as these should



be at nil cost to the organisation. Any approval is conditional upon the employee agreeing to reduce their hours/grade. Benefits closely reflect those permitted by Regulation 18 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007/1166.

#### Redundancy

Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on a week's pay (currently £430 per week). The City Corporation bases the calculation on actual salary. In addition the authority has a current policy for the payment of further compensation, of an amount equivalent to 50% of the statutory payment. This scheme may be amended from time to time subject to Member decision and is due for review in April 2013. 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

Where an employee leaves the City Corporation's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the courts from the organisation about the nature of the employee's departure from our employment, such claims may be settled by way of compromise 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 the Senior Management Grade or the Town Clerk & Chief Executive it will only be made following consultation with the Chairman 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

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

#### Re-employment

28. Employees who have left the authority on grounds of redundancy will not normally be re-employed. Applications for employment from employees who have retired from the City Corporation or another authority or who have been made redundant by another authority, will be considered in accordance with our normal recruitment policy. However, like many authorities, the City Corporation operates an abatement policy which means that any pension benefits that are in payment could be reduced on re-employment in local government.

#### **Publication of information relating to remuneration**

29. The City Corporation will seek to publish details of all positions remunerated at £58,200 or above. This publication includes all chief officers and complies with the requirements of paragraph 12 of the Code of Recommended Practice for Local Authorities on Data Transparency issued by the Secretary of State for

Communities and Local Government.

30. This Pay Policy Statement will be published on our public website. It may be amended at any time during 2013/14 by the resolution of the Court of Common Council. Any amendments will also be published on our public website.
31. 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: Draft guidance under section 40 of the Localism Act”; “The Code of Recommended Practice for Local Authorities on Data Transparency”; and the Accounts and Audit (England) Regulations 2011.

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