

Committee/Meeting: HR Committee	Date: 18 July 2012	Classification: Unrestricted	Report No: 7.2
Report of: Corporate Director (Resources) Originating officer(s) Simon Kilbey, Service Head (Human Resources & Workforce Development)		Title: Benchmarking of London Borough Pay Policy Statements Wards Affected: All	

Lead Member	Cabinet Member for Resources
Community Plan Theme	All
Strategic Priority	Work efficiently and effectively as one Council

1. **SUMMARY**

- 1.1 As part of the HR Committee's deliberations on the Council's draft pay policy statement on 29th February 2012, initial benchmarking information was requested relating to those pay policies published to date by other London Boroughs.
- 1.2 At the time of drafting, pay policy statements for 20 other London Boroughs have been obtained and analysed. Some Boroughs are yet to publish their statements. The analysis shows that the Tower Hamlets pay multiple is just below the London-wide average and that Tower Hamlets is one of over half of Boroughs that guarantee to pay staff a minimum salary equivalent to the London Living Wage. The benchmarking exercise has also helped indicate areas in which the Council's own pay policies could be developed in the future.

2. **DECISIONS REQUIRED**

HR Committee is recommended to:-

- 2.1 Note the benchmarking data provided.

3. **REASONS FOR THE DECISIONS**

- 3.1 The Localism Act 2011 received Royal Assent on 15 November 2011. The provisions of the legislation require Local Authorities to adopt and publish a pay policy statement for 2012/13 and for each subsequent financial year.

Following consideration of the draft pay policy statement, the Committee requested that an initial benchmarking report be provided.

4. ALTERNATIVE OPTIONS

4.1 The report is for information.

5. BACKGROUND

5.1 As detailed in the report to the HR Committee on 29 February, the pay policy statement must set out the Authority's policies for the financial year relating to the remuneration of its officers. This must include:

- The level and elements of remuneration for each chief officer
- The remuneration of lowest paid employees (together with a definition of 'lowest paid employees' and reasons for adopting that definition)
- The relationship between the remuneration of chief officers and the remainder of the workforce
- Other specific aspects of chief officers' remuneration (remuneration on recruitment, increases and additions to remuneration, use of PRP and bonuses, and the approach to termination payments)

5.2 Additionally, the Council must have regard to other statutory guidance or recommendations e.g. relating to pay multiples, but it should be noted that the statutory guidance emphasises that each LA has the autonomy to take its own decisions on pay and pay policies.

6. BODY OF REPORT

6.1 The analysis of key points of 21 other London Boroughs is shown in Appendix 1.

6.2 **Pay Multiple and Use of Median Average.** All except one of the Boroughs sampled (Lewisham) have used the salary of the Highest Paid Chief Officer as a multiple of the Median Average Employee Salary. This calculation is in line with the recommendations contained in the Hutton Review of Fair Pay in the Public Sector (2011). Lewisham published 2 figures, a pay multiple of the lowest paid compared to the highest paid (1:12) and an average of multiple of chief officer pay compared to the median average employee salary. Waltham Forest published just the ratio of highest paid to lowest paid (1:12).

The Council's own pay multiple (6.5) is consistent with the Hutton recommendation and is the 8th lowest (of the 19 supplying comparable data) although it should be noted that there may be differences between multiples for a range of reasons, including Outer London Boroughs who pay lower salaries compared to Inner London Boroughs such as Tower Hamlets, due to differentials between inner and outer London pay scales. The mean average of the Boroughs analysed is a pay multiple of 6.7 (based on the median average employee salary). The highest report multiple was 10 (Bexley) and the lowest was 5 (Camden). These figures should not be considered to be precise comparative indicators as median average salaries will be influenced

by the extent to which manual front line services are run by or have been outsourced in each authority.

There is insufficient data to enable an analysis of more Boroughs pay multiples based on the highest paid chief officer's salary compared to the lowest paid employee although it is anticipated that this information will be available over time.

- 6.3 **Low Pay Issues and Commitment to London Living Wage.** Around 2/3 of Boroughs analysed (13, including Tower Hamlets) give a commitment to paying staff a minimum salary equivalent to the London Living Wage, although not all have implemented this yet. There is a noticeable difference in this area between inner and outer London Boroughs. Otherwise there are no substantial commitments regarding low pay with most referencing implementation of Single Status in respect of manual workers or quoting the use of the Inner or Outer Greater London Provincial Council pay spines giving the lowest salary point in use.
- 6.4 **Senior Manager/Executive Pay.** There are no particular positions of note amongst other Boroughs. As was expected, 13 out of 20 have moved away from using the JNC Chief Officers Job Evaluation Scheme that the Council uses and now use Hay as a better evaluation system for senior managers. There is also a clear trend regarding control of pay progression within a grade through use of performance criteria, with this now being almost universal.
- 6.5 **Committee Arrangements.** There is a mixed position amongst other Boroughs in terms of whether they have established or propose to establish a bespoke Remuneration Committee. Though the majority indicate they intend to make use of existing Committees that deal with conditions of service and remuneration policy e.g. Human Resources and Administration Committees, in order to fulfil this requirement. As highlighted in the previous report it is recommended by officers that the terms of reference of the HR Committee are amended which requires a change to the Constitution in order to implement. It is worth noting that some Boroughs (e.g. Lewisham) have chosen to engage independent advisors (e.g. Hay) to provide advice and challenge to their remuneration committees.
- 6.6 **Development of the Pay Policy Statement.** Given the upcoming change to manage temporary agency recruitment in-house it was not considered appropriate to include reference to practices with regard to the Comensura contract. This is an area to which reference could be made in future updates to the Council's Statement. Other areas identified following analysis of other Boroughs indicate the inclusion of a position on the following matters could be appropriate: market supplements; policy on re-employment following redundancy/retirement; and details of acting-up and honoraria policy and criteria. However, these may equally be left to be incorporated in general policies where they can be more flexibly amended from time to time.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 There are no financial implications detailed in this report. Should any changes to pay policy be proposed (that result in an amended statement being published in future), the financial implications will be assessed at the point of that changes are proposed.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 The determination of staff terms & conditions is a part of the statutory role of Head of Paid service to make recommendations to full council. The Pay Policy Statement must be adopted by full Council. Should there be any changes contemplated in the existing terms and conditions or policy there would need to be full legal advice on the implications and process prior to any detailed consultation with staff and unions, given the impact on contractual entitlements. Consequently, the approach with the Pay Policy is to recommend that it is adopted setting out current terms i.e. compliant with the legislation. If there are future proposed amendments then these can be advised on separately in the fullness of time.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 There are no implications in respect of this report. However, an Equality Analysis will be carried out on the Council's own Pay Policy Statement.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 There are no implications.

11. RISK MANAGEMENT IMPLICATIONS

- 11.1 There are no implications.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 12.1 There are no implications.

13. EFFICIENCY STATEMENT

- 13.1 No changes to service delivery or the use of resources are proposed.

14. APPENDICES

Appendix 1 – Summary of London Boroughs Pay Policy Statements

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
Localism Act 2011	Simon Kilbey, Service Head (HR/WD) 020 7364 4922
LGA / ALACE – ‘Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives’	

Appendix 1: Summary of London Boroughs Pay Policy Statements

Borough	Pay Multiple	Used Average Median Salary to Calculate Pay Multiple (Y/N)	* Commitment to London Living Wage (Y/N)	Senior/ Executive Manager Pay Progression Performance Based (Y/N)	Job Evaluation Scheme used for Senior/ Executive Pay Grading	Using existing Committee to manage Remuneration Policy (Y/N)
Barnet	6.98	Yes	No		Hay & GLPC	Intends to setup 12/13
Bexley	10.00	Yes	No	Yes	Hay	Yes
Camden	5	Yes	Yes	Yes	GLPC	Yes
Ealing	7.23	Yes	Yes	Yes	Hay	N/K
Greenwich	7.46	Yes	Yes	Yes	Hay	Yes
Hackney	5.53	Yes	Yes	Yes	'internally-developed point based evaluation scheme for Chief Officers'	
Hammersmith & Fulham	6.6	Yes	Yes	Yes	GLPC/Hay	Yes
Haringey	6.80	Yes	Yes	Yes	GLPC	Yes
Harrow	**7.00	Yes	No	Yes	Hay	
Hillingdon	7.35	Yes	No	Yes	GLPC	No
Hounslow	5.60	Yes	Yes	Yes	Hay	Yes
Kensington and Chelsea	6.50	Yes	No	Yes	Hay	No
Lambeth	5.8	yes	Yes	N/K	Hay	Yes
Lewisham	See note ***	No	Yes	N/K	Hay	Yes
Merton	7.00	Yes	No	Yes	Hay	Yes
Richmond	6.12	Yes	Yes	Yes		Yes
Southwark	Not given	-	Yes	Yes	GLPC/Hay	Yes

Sutton	6	Yes	No	Yes	GLPC	Yes
Tower Hamlets	6.50	Yes	Yes	Yes	GLPC / JNC for Chief Officers	Yes
Waltham Forest	(1:12)	Highest to lowest salary ratio	Yes	Yes	Hay	N/K
Wandsworth	6.40	Yes	No	Yes	Hay	N/K

* Most Boroughs explicitly exclude trainees/apprentices from their commitment

** Figure is from 10/11

*** Not included, published multiple calculated based on average chief officer salary, not salary of highest paid officer