

LONDON BOROUGH OF MERTON
2021/2022
Pay Policy Statement

1. Introduction

- 1.1 The Council is committed to transparency of pay, and best value for money to residents in terms of the pay bill to the workforce and quality of services provided to residents. This statement is required under the provisions of the Localism Act 2011.

We monitor the Council's benchmark position regularly in London utilising data sets from London Councils, and in particular the annual chief officers' salary survey. This information is used when reviewing pay and grading structures, in combination with data on turnover, recruitment and retention.

- 1.2 This pay policy statement sets out: the Council's current position in the labour market and pay benchmarking, pay ratios, the current pay structure and arrangements, dealing with data transparency and senior officer termination payments.

2. Pay benchmarking

- 2.1 In terms of the senior pay benchmarks derived from the London Councils database we know the Council is positioned in the lower quartiles for senior pay for the 32 boroughs. Our overall pay rates below chief officer-level broadly mirror the median for Outer London Local Authorities.

- 2.2 The pay benchmarks are reviewed annually to ensure the Council continues to provide good value for money and that senior managers are not paid in excess of local, regional and national labour markets, as appropriate to the job.

3. Pay ratios and Fair Pay in the Public Sector

- 3.1 The Council has a pay ratio of 1:10 between the lowest and highest paid employees, conforming to CIPD research evidence that the average ratio in Local Government in England is 1:10. It should be noted this is well within the ratio level of 1:20 that was established for the Hutton Fair Pay Review (March 2011) to consider.

- 3.2 Merton uses job evaluation to determine an employee's grade and the rates within the grade are determined through national and London-level pay bargaining. The minimum rate of pay for NJC employees from 1 April 2020 of £20,658 per annum is based on the nationally determined minimum spine point rate. Apprentices receive the London Living Wage. At the time of preparing this statement national pay negotiations have not yet started for the year from 1 April 2021. Merton operates a London Living Wage guarantee, which ensures staff receive at least the London Living Wage from 1 April each year. The minimum NJC rate of pay at 1 April 2020 exceeded the London

Living Wage. See paragraph 4.1 below for more detail on how we determine grades.

- 3.3 Senior managers are required to demonstrate they are performing to appraisal objectives in order to qualify for incremental pay increases and this pay policy system conforms with the recommendations from the Hutton Fair Pay Review that senior managers' pay includes an element of 'earn back'.
- 3.4 As well as comparing with the lowest paid we also make comparison with the median (recommended in the Government's transparency guidelines). The ratio of the Chief Executive's pay to median employee salary is 1:6. The Hutton report suggested the ratio for the FTSE top 250 private sector companies was 1:38.
- 3.5 The average (median) full-time basic salary for males employed by the Council is £36,708 a year, and the average full-time basic salary for females is £34,209 a year. The basic pay gap between male and female pay is £2,499 i.e. males earn on average more than females.

A number of factors have caused this gap in basic pay, notably the TUPE transfer of staff both in and out of the organisation had an impact on the basic gender pay gap. In March 2017, 185 mainly male relatively lower paid staff transferred out with Street Scene and Waste. In February 2017, 62 were transferred from Sustainable Communities. Meanwhile, 65 Regulatory Services employees transferred to Merton from LB Wandsworth in November 2017. These mainly higher paid staff who were employed by Wandsworth include a large number of men.

The statutory gender pay gap figures for 2018/19 were published, as required by legislation, by 31 March 2020. The pay gap figures for 2019/20 will be published with this Pay Statement and are attached as Appendix A. The figures, which include allowances and bonuses, show a similar gap to that for basic pay with men earning more than women both in terms of mean and of median earnings. There has been a reduction in the gap since March 2018 with the gap reducing from a mean of 10.5% to 7.9%, and from a median of 8.2% to 4.3%. Men also receive higher bonuses on average (mean), this being mainly due to a high proportion of pay consisting of bonuses in the small mainly male Bailiffs service.

Pending any introduction of statutory pay gap monitoring by ethnicity, the pay gap between White and BAME employees has been established and is shown for the first time as Appendix B. This shows a wider pay gap than for gender, due to the much higher proportion of BAME employees in lower graded roles. men earning more than women both in terms of mean and of median earnings. The bonus gap in favour of BAME employees is due to a relatively high proportion of BAME Bailiffs. It should be noted that declaration of ethnicity is optional and the figures will therefore only cover those employees were they have declared their ethnicity.

4. Current pay structures and arrangements

4.1 The Council operates:

- The Joint National Council (JNC) for LA Chief Executives, and the JNC for LA Chief Officers pay agreement arrangements &
- The National Joint Council (NJC) Greater London Provincial Council (GLPC) Outer London pay agreement for most posts below Management Grade (MG), and applies the GLPC job evaluation scheme for jobs up to grade ME16. Job evaluation objectively establishes the relative size/value of posts whereas the pay/grade relationship ('price tag') is agreed by the Council with reference to GLPC benchmark guidance. The pay and grading structure below chief officers and Management Grade (see 4.3 below) currently allows for time-served incremental progression on an annual basis up to the grade maxima.

4.2 Some other employees are paid on nationally determined pay scales such as: Soulbury, Youth & Community, Teachers, Craft Workers and local conditions.

4.3 Senior managers, on grades MGA to chief executive grade are placed on grades with incremental progression on a biannual basis. Progression through the grade is dependent upon satisfactory performance. Job evaluation for chief officers and managers above ME16 is conducted using the Hay job evaluation scheme.

4.4 Senior staff do not receive bonuses. They contribute from 8.5% up to 12.5% of their salary to the local government pension scheme and Merton's employer contribution to the pension fund for all contributing members is 17.06%. In some years the Chief Executive also receives election expenses when general, local or European elections occur. Annual cost of living increases are determined nationally.

4.5 All matters relating to senior pay, including the chief executive's appraisal setting and assessment is dealt with by the Council's senior remuneration panel comprising of the four party leaders, chaired by the Leader of the Council for the administration at which the salary package is considered and recommended for approval. Salary packages over £100,000 are also reported to full Council for approval.

4.6 The Council applies the NJC and Chief Officers pay awards. No national agreement has been reached at the time of writing for 1 April 2021, with any national discussions with the trade unions likely to commence in early 2021.

4.7 Any proposed changes to the pay and grading structure are subject to an Equality Impact Assessment to assess the likely impact of the changes.

5. Transparency arrangements

5.1 The Council via its Internet site:

- publishes all senior employee salaries with: names (where not withheld below £100k), title, salary band and information including job descriptions that will cover span of control and managerial responsibilities.
- publishes on an annual basis via its website a schedule of all council employees earning £50,000, or more, in accordance with the recommended code of practice for data transparency.
- publishes structure charts on the Council's website as recommended by the government code of practice for data transparency.
- publishes this policy via the Council's website

5.1 In the event that there are changes in an employee's salary (including market supplement) which results in a salary increase to £100k during the year; this package needs to be recommended by the remuneration panel and approved by full Council. Once agreed by full Council the details of the individual and post will be included in the next annual publication of senior employee salaries including: name, title, salary band and information including job description that will cover span of control and managerial responsibilities.

5.2 The Chief Executive's remuneration, that of the Directors, and any officer earning over £100k, is already the subject of a published statement (Senior Employee's Salaries) on the Council's website. Such levels of remuneration are subject to the Council's senior remuneration panel consisting of the four different political party leaders (see 4.5 above). Other salary and budget information is published in the annual statement of accounts, also available from the Council's website. The Chief Executive's priorities are also published on the website here: <https://www.merton.gov.uk/council-and-local-democracy/chief-executive>

5.3 For any new appointment where the salary is £100k per annum or more approval should be obtained from full Council prior to the appointment being made (in practical terms the agreement would be sought at the start of the recruitment process).

6. Termination payments

6.1 For Chief Officers, termination payments are reported to the General Purposes Committee and the rationale for such termination arrangements for these matters is approved by members of the Council. From April 2013 all severance packages over £100,000 are reported to full Council for approval. Pending statutory changes, if introduced, will further limit severance packages and introduce arrangements to recover payments should the person return to work in the public sector.

6.2 Termination payments, except in certain circumstances, are limited to by the Government's exit pay cap regulations to £95,000.

6.2 We will continue to review and publish our policy on the exercise of discretions under local authority regulations covering compensation for early termination of employment, redundancy and pension enhancements.