

# MUNICIPAL YEAR 2014/2015 REPORT NO. 122

## MEETING TITLE AND DATE:

Council - 19 November 2014

## REPORT OF:

Acting Assistant Director  
Human Resources

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<b>Agenda - Part:</b> 1	<b>Item:</b> 13
<b>Subject:</b> Reference from Members & Democratic Services Group – Establishment of Remuneration Committee	
<b>Wards:</b> <b>Key Decision No:</b> n/a	
<b>Cabinet Member consulted:</b> Cllr Andrew Stafford	

## 1. EXECUTIVE SUMMARY

This report considers whether the issues of senior remuneration should be considered and agreed by a separate free standing Remuneration Committee rather than within the Audit Committee.

## 2. RECOMMENDATIONS

- 2.1 With effect from 20 November 2014, the Remuneration Sub-Committee is reconstituted as a freestanding Committee appointed by Council, with the Terms of Reference detailed in section 3.7 of the report.
- 2.2 Subject to 2.1 above the Terms of Reference for the Audit Committee be amended to reflect the change, as detailed in section 3.8 of the report.

## 3. BACKGROUND

- 3.1 The Remuneration Sub-Committee was formed in 2011 in response to the Localism Act and the requirement to ensure that the remuneration of senior officers is open and transparent. The panel comprises of two lead and one opposition member. Since the formation the committee has examined, challenged and engaged in discussions on a number of complex issues including severance payments, health checks, Public Health pay and pension discretions.

In addition to this, the committee has a responsibility each year to review the Council Pay Policy and the comparative pay rates in London for senior officers to ensure that the Council's approach to pay is fit for

purpose. On average, the committees have taken 1 to 1½ hours to conduct business.

- 3.2 In 2014, a decision was made to incorporate the Remuneration Sub-Committee into the Audit Committee with a view to streamlining the number of council committees.
- 3.3 Since the decision to combine the committees has been made, there have been a number of developments which have highlighted the importance of senior pay and conditions in relation to the local government transformation agenda. Changes in the Local Government Pension Scheme (LGPS) Regulations with higher contributions, changes in the pension tax allowances and the six year national pay freeze on senior salaries have all combined to put pressure on Councils to ensure that their senior reward packages are competitive and they are able to recruit and retain the best.
- 3.4 In the light of the above, it is important that the Council give full consideration to the issue of senior pay and reward if it is to meet the financial challenges ahead. If the issues are bolted on to the end of a long audit committee, members may not give the necessary attention they would have given if the issues were aired in a free standing committee and it is feared that the constructive dialogue and challenge engendered to date could be diluted. It is acknowledged that there is a need to streamline decision making time if the Council is to meet the requirements of the Enfield 2017 agenda. However, if subsuming the Remuneration Sub-Committee into the Audit Committee reduces the time afforded to discussing the issues, it could be ultimately detrimental and undermine effective decision making.
- 3.5 A recent survey conducted by London Council shows that of the 22 returns, the majority of Local Councils (17) have a free standing pay or HR Committee where the issues are considered. This indicates the importance Councils place on the subject matter and provides further evidence of the need for a separate committee.
- 3.6 The Member and Democratic Services Group considered the issue at their meeting on 4 November 2014 and agreed in principle to the recommendation and that it should be referred to Council for a final decision.
- 3.7 The proposed terms of reference for the Committee would be as follows (which are the same as those agreed for the previous Sub Committee):

#### **MEMBERSHIP**

The Remuneration Committee shall comprise 3 members (2 majority and 1 opposition)

## **FREQUENCY OF MEETINGS**

The Committee will meet as and when required to:

- (a) determine whether there was any requirement for a formal review on the relevant pay and remuneration markets;
- (b) where necessary, commission relevant research data analysis;
- (c) review any corporate remuneration issues arising out of the Council's pay progression policies and practices;
- (d) consider any proposals made by Central Government in respect of the pay and remuneration of senior managers.

## **REMIT**

The Committee will be responsible for making recommendations to the Cabinet, and Council if appropriate on strategic pay and remuneration issues relating to staff in posts graded Assistant Director, Director and Chief Executive, plus other salary scales with similar levels of remuneration eg. some Soulbury scales.

The remit of the Committee will include consideration of all elements of the Council's senior management remuneration package, including:

- (a) levels of consolidated/fixed salaries;
- (b) elements of variable non consolidated salary payments;
- (c) any additional pay or non pay benefits that could be considered as part of the total remuneration package;
- (d) processes for determining the pay progression of staff;
- (e) termination payments packages;
- (f) parameters and process for appointing senior interim or agency staff.

The remit of the Committee will not extend to consideration of the level of remuneration of individual members of staff (within the context of the agreed policy) as these will be covered by individual contracts of employment.

- 3.8 This change would also need to be reflected within the Audit Committee Terms of Reference, as follows:

Deletion of the following from the Other Issues section

- "ix) To oversee strategic pay and remuneration issues relating to senior management, with the following specific functions:
  - a) To determine whether there was any requirement for a formal review on the relevant pay and remuneration markets.
  - b) Where necessary, to commission relevant research data analysis.

- c) To review any corporate remuneration issues arising out of the Council's pay progression policies and practices.
- d) To consider any proposals made by Central Government in respect of the pay and remuneration of senior managers.
- e) To make recommendations to the Cabinet, and Council if appropriate on strategic pay and remuneration issues relating to staff in posts graded Assistant Director, Director and Chief Executive, plus other salary scales with similar levels of remuneration eg. some Soulbury scales.
- f) To consider all elements of the Council's senior management remuneration package, including
  - (a) levels of consolidated/fixed salaries;
  - (b) elements of variable non consolidated salary payments;
  - (c) any additional pay or non pay benefits that could be considered as part of the total remuneration package;
  - (d) processes for determining the pay progression of staff;
  - (e) termination payments packages;
  - (f) parameters and process for appointing senior interim or agency staff.

The remit of the Committee will not extend to consideration of the level of remuneration of individual members of staff (within the context of the agreed policy) as these will be covered by individual contracts of employment.”

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

The Audit Committee considers issues of senior remuneration. This would be detrimental to effective decision making as detailed in paragraph 3.4.

#### **5. REASONS FOR RECOMMENDATIONS**

Detailed in paragraphs 3.4 and 3.5.

#### **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

There are no financial implications on this change. All costs are accounted for with existing budgets.

##### **6.2 Legal Implications**

6.2.1 Guidance by the Senior Salary Review Body, supported by the Local Government Employers' organisation recommended that Councils should establish a Remuneration Committee to deal with pay terms and condition matters. The Localism Act also contains provision requiring the creation and agreement by Council of a 'senior pay policy statement' which will be produced

annually. A free standing Remuneration Committee is an appropriate body to consider these issues.

6.2.2 If the Remuneration Committee is separated from the Audit Committee, the Council's constitution will need to be reviewed to make any necessary changes.

### **6.3 Property Implications**

None

## **7. KEY RISKS**

If the Council does not make effective decisions with regard to senior remuneration, it could serve to undermine the Enfield 2017 transformation agenda.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

Ensuring that the Council has a pay and reward structure which is fit for purpose enables the Council to attract and retain good quality leaders and managers who will ensure the delivery of services to realise the Council's aims and objectives

### **8.2 Growth and Sustainability**

### **8.3 Strong Communities**

## **9. EQUALITIES IMPACT IMPLICATIONS**

Part of the remit of the Remuneration Committee is to ensure that potential equal pay issues are addressed.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

The Remuneration Committee has a role to play in considering whether the provisions for determining pay progression for staff are fit for purpose and support a performance management culture.

## **11. HEALTH AND SAFETY IMPLICATIONS**

None

## **12. PUBLIC HEALTH IMPLICATIONS**

To ensure that the Council is able to meet the Public Health agenda, it is essential that it considers and develops appropriate reward strategies to attract public health professionals.

**Background Papers: None**