

Report for: **Staffing & Remuneration Committee – 1 December 2020**

Title: **Senior Manager Pay System**

Report authorised by: **Zina Etheridge – Chief Executive and Head of Paid Service**

Lead Officer: **Dan Paul, Chief People Officer**

Ward(s) affected: N/A

Report for Key/Non Key Decision: **Non Key**

1. Describe the issue under consideration

The purpose of this report is to make a recommendation to re-establish the link between the pay system and the national Joint Negotiating Committees for the purpose of determining annual inflationary pay increases from 1/4/20 onwards and for the Committee to note the commencement of a review into the pay system for senior managers (heads of service and above).

2. Cabinet Member Introduction

Not applicable.

3. Recommendations

1. Approve re-establishing the link between the senior manager pay system and the national Joint Negotiating Committees (JNC) for the purpose of determining annual inflationary pay increases from 1/4/20 onwards and therefore to apply the increase agreed by the JNC's from 1/4/20 of 2.75%.
2. Note the commencement and scope of a review of the Senior Manager pay system, with results of the review to be brought to a future meeting.

4. Reason for Decision

To ensure that senior management pay is fair, equitable and supports the continued recruitment and retention of high calibre senior managers to lead the delivery of the Borough Plan.

5. Alternative options considered

- i) Not to review the pay system. This option was rejected due to the need to continue to attract and retain high calibre, committed and engaged senior managers and to have a modern and effective pay system.
- ii) Not to re-establish the link with the JNC or to make a pay award. This option was rejected due to the need to continue to attract and retain high calibre, committed

and engaged senior managers; and to ensure pay for senior manager posts keeps pace with prices, wages and the competitive marketplace.

- iii) To make a pay award of less than 2.75%. This option was rejected for the same reasons as ii) above.

6. Background

6.1 The Local Government workforce has been awarded a 2.75% pay increase, effective 1 April 2020. This has been implemented in Haringey for those on contracts that are subject to national negotiation, which is most of the workforce. This award also applies to Chief Officers and Chief Executives in Councils across the country in cases where contracts are subject to national negotiation, but not in Haringey, where pay increases are set locally. Since inception, the Committee has agreed the same inflationary increase for Haringey senior managers as has been nationally negotiated. Haringey Council is a member of the LGA and the LGA negotiates nationally with Trade Unions in relation to annual inflationary pay increases. It is therefore sensible to re-establish the link with national negotiations as local discussions on such increases are not necessary.

6.2 The senior management pay scheme applies to Directors and Assistant Directors; and Heads of Service reporting directly to a Director or Assistant Director. In addition, there are a number of positions designated Senior Professional III that form part of the wider senior management population and are subject to the same terms and conditions and pay review arrangements. Director and Assistant Director posts are Member appointments. Those posts at Level C are appointed by Officers.

A summary of senior management pay bands is set out in Appendix B. The inflationary increase would apply from 1/4/20 to all senior managers on those pay bands employed by the Council (including those who are employed by the Council but where the cost of the post is funded by other sources) as at the date of this report. The new pay bands would also be used by the Staffing and Remuneration Committee when approving new appointments to Director and Assistant Director posts.

Individuals on NHS, Teachers or Soulbury terms and conditions are excluded from the senior managers' pay review as they have their own arrangements.

The Committee is requested to note that the Chief Executive has requested that the upper pay range of the Chief Executive Grade not be increased and this is reflected in Appendix B.

6.3 Trade Unions have been consulted and strongly support the recommendation to re-establish the link between the senior manager pay system and the national Joint Negotiating Committees (JNC) for the purpose of determining annual inflationary pay increases.

6.4 One of the key principles of the Senior Managers' Pay and Grading arrangements was the concept that an individual's salary would be reviewed, but not necessarily increased, each year. This principle has been embodied in the new senior management contracts of employment that were effective from 1st April 2016. However, since that date the scope of the annual pay review has been only to

approve the same inflationary increases as have been nationally negotiated, which the vast majority of local authorities apply automatically. Employees remain effectively on the pay point that they negotiated when they were recruited. It is recognised that apart from being potentially inequitable, this route contains equalities risks. For example it is recognised that in general, men tend to negotiate higher starting salaries than women.

- 6.5 Therefore, it is considered that the scheme may not be operating as intended and a review of the scheme is commencing. It is in any case good practice to review pay schemes periodically. Further details of the scope of the review are at Appendix A and it is proposed that the results of the review be brought to a future meeting.

7. Contribution to strategic outcomes

Agreeing this report will continue to ensure that senior management pay is fair, equitable and supports the recruitment and retention of senior managers to support the delivery of the Borough Plan and the Council's strategic outcomes.

8. Statutory Officers' comments

8.1 Chief Finance Officer

The 2020/21 Budget and Medium Term Financial Strategy contains adequate provision to fund the cost of the pay increase and re-establishment of the link to JNC inflationary increases.

The financial implications that arise from the review of the senior manager pay scheme will be included in the relevant report presented to Committee at that time.

8.2 Assistant Director of Corporate Governance

The Assistant Director of Corporate Governance has been consulted on this report. There are no legal implications arising from this report.

9. Use of Appendices

Appendix A – Scope for review of senior management pay scheme

Appendix B – Pay Bands effective 1/4/19 and 1/2/20

10. Local government (Access to Information) Act 1985

Not applicable

APPENDIX A

Senior Manager Pay – Review of system

Background

The current senior manager pay system was set up in 2016 to bring structure and clarity to senior manager pay arrangements. It is a scheme based on Hay grades and evaluation, with no incremental points within the pay bands. The scheme did bring structure and clarity to pay arrangements that lacked these qualities, and also reduced organisational risk. The intention when this was implemented was that it was also to be a contribution based pay scheme. However, this element has not been implemented in practice.

The main issue is that the scheme has not been fully implemented as intended in terms of contribution based pay. There is no provision or system based on any measure for employees to move within the bands, and therefore no way to incentivise performance or experience. The position within the band depends entirely on negotiations when the individual is appointed. Typically, men tend to be more comfortable negotiating salaries than women.

The review will consider these issues. The review is not intended to look at the job evaluation system or the pay bands themselves.

Potential in-scope options to be considered

1. Leave the system as it is and make no changes.
2. Time-served incremental steps put into each band (maximum of 5 steps in each band).
3. Performance based incremental steps put into each band (maximum of 5 steps in each band).
4. No incremental steps but consolidated performance-based increases through the band based on percentage increases (could be graduated depending on performance rating).
5. Non-consolidated additional payment based on performance for those at the top of the grade.
6. A performance related pay system based on team performance.

Other options may be considered if appropriate to do so.

Resourcing of the review

This review will be led by the Reward Strategy Manager in HR, who has considerable experience of senior management pay systems across a variety of sectors. Corporate Board views will be sought, recognising of course that they may be impacted by the results of the review.

External expertise will form part of the review.

Timing

The review is planned to take place between December 2020 and March 2021, with an update being brought to Staffing and Remuneration Committee at the March 2021 meeting.

APPENDIX B

Pay bands effective 1/4/2019

Level	People Leader	Individual Contributor	Step	Min.	Mid. (Benchmark)	Max.
A	Chief Executive		HA2	£180,700	£195,400	£210,100
B	Director/Assistant Director		HB3	£142,500	£154,000	£165,600
			HB2	£116,100	£125,500	£134,900
			HB1	£99,600	£107,700	£115,800
C	Head of Service	Senior Professional 3	HC3	£84,400	£92,700	£99,000
			HC2	£72,100	£78,300	£84,200
			HC1	£62,200	£67,200	£71,900

Proposed Pay bands effective 1/4/2020

Level	People Leader	Individual Contributor	Step	Min.	Mid. (Benchmark)	Max.
A	Chief Executive		HA2	£185,600	£197,900	£210,100
B	Director/Assistant Director		HB3	£146,400	£158,300	£170,200
			HB2	£119,200	£129,000	£138,700
			HB1	£102,300	£110,700	£119,000
C	Head of Service	Senior Professional 3	HC3	£86,700	£95,300	£101,800
			HC2	£74,000	£80,500	£86,600
			HC1	£63,900	£69,100	£73,900