

Report for:	Staffing & Remuneration Committee	Item Number:	
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Title:	Proposed New Senior Pay Principles and Grading Structure
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Report Authorised by:	Nick Walkley - Chief Executive and Head of Paid Service <i>N. Walkley</i>
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Lead Officer:	Jacquie McGeachie – Assistant Director, Human Resources
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Ward(s) affected: All	Report for Key/Non Key Decisions: N/a
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- 1 Describe the issue under consideration
 - 1.1 On the 26 November 2013 the Head of Paid Service, following a period of consultation, reported to Corporate Committee his intention to implement a new senior management structure. The committee noted the report and the structure implemented during 2014.
 - 1.2 As part of implementing the new senior management team structure the Head of Paid Service asked for a review of the Council's approach to Reward including pay and grading structures. At the Staffing and Remuneration Committee on the 16 December 2014 the following decisions were resolved:
 - 1.2.1 That the vision, objectives and benefits of the Modern Reward Strategy project as outlined in the circulated report and appendices be noted;
 - 1.2.2 That a review of the Council's pay and grading structure be undertaken with the objective of implementing a single pay and grading structure using one job evaluation scheme to be implemented by April 2016, be agreed;
 - 1.2.3 That a review of all the Council's terms and conditions including allowances for all employees (except Teachers and employees on Soulbury terms and conditions) to be implemented by April 2016, be agreed;
 - 1.2.4 That a review of Chief Officer/Senior Managers pay and grading to be implemented by 1 April 2015, be agreed;

- 1.2.5 That the development and implementation of job families and generic role profiles as part of the new pay and grading structure, be agreed;
- 1.2.6 That it be noted that a savings target had not been attached to the detailed project; and
- 1.2.7 That the Staffing and Remuneration Committee be kept informed of progress of the project and that any proposed changes to employees' terms and conditions of employment to be brought back to the Staffing and Remuneration committee for consideration and approval.
- 1.3 The outcome of the review in April 2015 was that structural changes need to be made to the pay and grading structure. This report deals with the overall Reward Principles, Senior Managers (Chief Officers) Reward Principles and the methodology by which pay ranges and pay will be determined using an annual cycle of events.
- 1.4 The purpose of this paper is to have a sustainable remuneration policy that is aligned to Council objectives and priorities. It is important that we establish a properly managed system of remuneration, which is also easy to understand and communicate.

2 Recommendations

The Staffing and Remuneration Committee will:

- 2.1 Approve and agree the implementation of the Reward Principles as detailed at Appendix A – Reward Principles.
- 2.2 Approve and agree the implementation of the pay structure for senior managers as detailed at Appendix B – Pay Structure.
- 2.3 Agree a period of 30 days consultation with senior managers as shown in Appendix F – Timeline, of the report.
- 2.4 Approve and agree that any pay progression will be contribution led based on individual, team and organisation performance as outlined at 3.8.2 of the report.
- 2.5 Agree to break the link with national pay bargaining and the outcomes from the Joint Negotiating Committee for Chief Officers of Local Authorities (JNC). This does not preclude the Staffing & Remuneration Committee in taking their recommendations into account when considering future pay awards for this population.
- 2.6 Agree an annual agenda and timetable by which the Staffing and Remuneration Committee will plan, agree and review pay within the Council.
- 2.7 Agree for the Head of Paid Service to manage any anomalies (including recruitment and retention supplements) that may occur utilising the principles as referred to at 3.7 and 3.8 of the report. The Head of Paid Service will report to the next available S&R Committee Meeting instances where this discretion has been exercised.

3 Background Information

3.1 The Workforce Plan is being implemented concurrently with the Corporate Plan and one of its key elements focuses on a review of the Council's reward systems. As the Council continues its programme of change it is important to ensure we continue to operate a fair, transparent and affordable pay arrangement. We need to ensure that through this challenging period we recognise, attract and retain the right skills and knowledge. The Council's experience in recruiting over the last year, particularly to senior posts, has confirmed the need to implement a pay and grading structure that provides the organisation with the opportunity to make consistent and fair decisions when discussing and agreeing pay. Given the challenges faced by the Council and the programme of change set out in the Corporate Plan it is also important that Members remain at the heart of the proactive management of pay and grading structures. To do this the Staffing and Remuneration Committee (S&R) role is to review the reward systems, and on an annual basis set clear direction and parameters based on recommendations from the Head of Paid Service.

3.2 Reward Strategy

The Modern Reward Strategy aim is to develop a reward package (pay and benefits) that will attract and retain high calibre individuals and which will demonstrate the link between good value and organisation outcomes for the Council.

3.3 Modern Reward Strategy – Context for Senior Management Pay

This report focuses on the Senior Managers pay arrangements as phase 1 of the project that will see our workforce rewarded in an appropriate way for the work they carry out on behalf of the Council, enable transformational change; and bring together the majority of the workforce into a single, consistent and logical pay and grading structure.

There are a number of allowances paid to members of the senior management population, e.g. London Weighting Allowance; which are legacies of previous approaches to pay determination and that we no longer feel to be relevant in the context of the Modern Reward Strategy.

We shall address these payments as part of the consultation with senior managers and consolidate wherever possible.

Teachers and employees on Soulbury or NHS terms and conditions are out of scope of this paper.

3.4 Active Reward Management

Haringey, as have other London Boroughs, has adopted a passive approach to their reward proposition for their workforce in the past which, in part, has brought us to our current position.

The purpose of this paper is to have a sustainable remuneration policy that is aligned to Council objectives and priorities. It is important that we establish a

properly managed system of remuneration, which is also easy to understand and communicate.

To this end it is our intention to develop an annual timetable of agenda items for the S&R Committee so that pay decisions, supported by the expertise of Finance and Human Resources, get the scrutiny they need and become an established part of our Council governance.

S&R Committee will continue to take the recommendations of the Joint Negotiating Committee for Chief Officers of Local Authorities (JNC) into account when considering future pay awards for this population but will not have to formally follow them as a result of this process.

3.5 Job Levels, Job Families and Pay Structures

Human Resources have started to categorise all roles within the Council into job levels and job families. Not only will this make it easier to make comparisons with the external market but it will also enable staff to identify career paths and opportunities for self development within the organisation. This will underpin the work of the Haringey Academy.

The pay structure is based on the principles laid out by the Modern Reward Strategy, i.e. no grade overlap, one grade for each 'step' in job size, etc. The pay structure for senior managers and the Tier 3 review is set out in Appendix B – Pay Structure.

Details of the job levels and job families are included in Appendix C – Job Levels; and Appendix D – Job Families.

3.6 Reward Principles

The vision of the Modern Reward Strategy is set out in our reward principles which we have produced with the aim of applying a fair and consistent approach to reward, both pay and benefits, for all employees, as detailed at Appendix A – Reward Principles.

3.7 Overall Principles

- a) We will aim for consistency and fairness in the processes we use to manage reward.
- b) These processes include, inter alia, job evaluation, assessment of an individual's contribution, and the calculation of pay awards.
- c) We will ensure that our reward processes and policies are transparent and accessible to all employees.
- d) As far as possible, remembering that pay is a sensitive and confidential topic for many people, we will be clear about how pay is determined by the Council. We will also brief managers so that they are able to articulate Haringey's reward principles to their teams.

- e) We will be mindful of the external market in making decisions about pay and benefits.
- f) We cannot operate in isolation when we are competing for talent in the London labour market, one of the most demanding and competitive in the country. Neither will we slavishly follow benchmarks or trends over which we have no control.
- g) We will be clear about how we recognise and reward performance, whether at organisation, team or individual level.
- h) We will retain a core set of benefits for all employees.

3.8 The principles that relate to Senior Managers

3.8.1 Base pay will be determined by:

- a) The role and where it sits in the organisation. All senior management roles will be evaluated using the Hay Group Guide Chart methodology.
- b) Reference to the external market, through regular participation in relevant pay surveys.
- c) Individual factors, including capability in the role demonstrated through growth in skills or role.
- d) Relevant internal pay comparisons.
- e) Pay bands for senior management will consist of open ranges without incremental points.
- f) Regular participation in pay surveys will give us an understanding of Haringey's position in the marketplace, year on year, and will be an important element of information when considering annual recommendations from the SLT, Finance and Human Resources.

3.8.2 Pay reviews will be managed as follows:

- a) Base pay for the senior management population will be reviewed, but not necessarily increased, annually.
- b) The amount available for the pay review process is determined by what Haringey can afford. The budget for senior management pay reviews will be set by the Staffing & Remuneration Committee based on the recommendations of the Senior Leadership Team (SLT), Finance and Human Resources.
- c) Progression through the pay band will not be automatic and will be determined by recommendations from the SLT.
- d) It is important that we continue to recognise an individual's contribution to Haringey by aligning our reward strategy to successful outcomes. To that end we are recommending some changes to our current practices that reinforce the message that solid contribution, measured in terms of results

and behaviours, is recognised by progression through the pay band. Equally pay progression will only be considered where an individual's contribution is acceptable and has been evidenced as such. The Head of Paid Service will oversee this process and manage any anomalies in accordance with our Reward principles.

3.8.3 Pay on appointment

Hiring managers will be provided with relevant pay data by Human Resources prior to any appointment. This will assist in forming a view about the pay range within which Haringey is prepared to appoint. Account will be taken of any internal pay relationships, with respect to staff doing the same or similar roles. Human Resources will continue to support hiring managers to ensure that decisions around appointments, including pay, are fair, reasonable and robust.

3.8.4 Pay review dates

The main pay review for senior management will normally be in April each year, however, provision will be made for a supplementary review in October to review, but not necessarily increase, the pay of individuals who for one reason or another were not eligible for a pay review in April. Such awards will not be backdated.

Pay reviews for appointments at this level would not normally be considered to be appropriate if the individual is still in their probationary period. In this situation, however, a pay award may be considered in October if the individual has successfully completed their probationary period and there is evidence an acceptable contribution level in our new appraisal process, "My Conversation".

3.9 Senior Pay Structure

3.9.1 Job Evaluation

A job evaluation exercise has been carried out using the Hay Group Guide Chart Methodology as agreed with the Staffing and Remuneration (S&R) Committee in July 2015.

The Hay Group methodology examines each role under eight factors grouped into three dimensions, Know-How, Problem-Solving and Accountability; to reach a total score.

We will use the job evaluation methodology not only to determine the appropriate level and pay band for each role but also bench test the integrity of the underlying design of the job and organisation structure.

3.9.2 How contribution based pay awards work

- a) Pay progression through the pay band will be used to recognise an individual's contribution to the Council. Contribution in this context is taken to mean the combination of the results the individual has achieved and the behaviours that they have demonstrated.

- b) Evidence of both factors will be gathered through Haringey's new appraisal process "My Conversation".
- c) An illustration of how we could differentiate different levels of contribution, and reinforce the importance of results and behaviours is shown in Appendix E – Pay Progression.
- d) The percentages shown in this matrix can change from year to year according to the changing emphasis on results or behaviours; and the amount available for pay awards. The same grid, however, must be used for everyone one who is reviewed in the year both in April and October.
- e) It is important that individuals comply with the Council's processes and procedures. Therefore, if there is no evidence of satisfactory contribution, available from "My Conversation", a pay award should not be made.

3.10 New style employment contracts

During the autumn a new senior manager's contract will be written. It is anticipated at this time there will be no fundamental changes but more a modernising of the contract itself. The employment contract will set the tone and standards by which both parties agree to adhere to as part of their relationship. Haringey has not reviewed these for some years, and in conjunction with Legal Services, Human Resources has commissioned a piece of work to develop a new contract based on emerging best practice to reflect the relationship the organisation will wants to have with its senior managers in the immediate future and for the next five years.

3.11 Trade Union engagement

We have kept Trade Union representatives fully briefed with the progress of the Modern Reward Strategy through regular meetings and updates. We agree that the focus of this report, the senior management group, is outside the population covered by collective agreement.

3.12 Consultation with Senior Managers

3.12.1 Whilst it is recognised that on the recommendations of the Head of Paid Service, the Staffing and Remuneration Committee agree the pay structures for the organisation, there will be a formal consultation period. This consultation period will invite senior managers who are identified as SM1 grade and above to comment on:

- a) The consolidation of two elements of pay currently used. These are known as Consolidated Allowance of £2,489 per annum for Chief Officers and £2,285 per annum for Senior Managers and London Weighting Allowance of £1,812 per annum. The proposal is for these elements to cease as separate elements and to be included in base pay.

- b) For information the total base pay figure for the senior management population is £6,480,440 and the total cash figure (i.e. base pay plus allowances) is £6,856,694. This is 8.72% of the Council's pay bill.
- c) London Weighting Allowance is a pensionable element so there will be no impact on the on cost figure for the Council.
- d) The Consolidated Allowance is a non-pensionable element so the effect of including this in base pay will be to increase our on cost by approximately £40,000.
- e) The implementation of the Reward Principles
- f) An explanation of contribution based pay,
- g) A consequence of the consultation will be to break the link with national pay bargaining and the outcomes from the Joint Negotiating Committee for Chief Officers of Local Authorities (JNC). This does not preclude the S&R Committee in taking their recommendations into account when considering future pay awards for this population.

3.12.2 The approach and timeline for the consultation with senior managers is shown in Appendix F – Timeline. The approach to consultation is as follows:

- a) Consultation letter emailed to all individuals in the senior management group. FAQs to be included in this.
- b) Briefing pack prepared for CLG members to take through with their affected team members.
- c) Dedicated email address for specific queries
- d) Drop in sessions with the Reward team

4 Comments of the Chief Finance Officer & Financial Implications

- 4.1 The Chief Finance Officer has been consulted on this report and as a result has considered provisionally the financial implications for the Council. The detailed calculation to compare resulting projected costs with available budget cannot be completed until it is known how individual current posts will be affected by the proposed Senior Pay principles and Grading structure.
- 4.2 However, and at this stage, the Chief Finance Officer can confirm that the cost of the new structure is broadly similar to the cost associated with the current structure based on the assumptions made about how the current cohort will assimilate into the new grading structure.
- 4.3 The further report to be presented to the Staffing & Remuneration Committee later in the financial year will recommend changes to employees' terms and conditions of employment for consideration and approval. Included in that report will be the detailed financial analysis and consequent implications for the Council's budget should the recommendations be approved.

- 5 Comments of the Head of Legal Services and Legal Implications
 - 5.1 Some of the proposed changes will be changes to the contracts of senior managers e.g. the breaking of the link with national pay bargaining , the consolidation of Consolidated Allowance and London Weighting allowance into base pay. Unless senior managers' existing contracts allow such changes to be made without the employees' agreement then if the Council decides after consultation to implement these changes then it will be necessary to either obtain the agreement of the affected employees to them or to terminate the contracts of those employees not agreeing the changes, offering them new contracts incorporating the changes. Carrying out the proposed consultation will reduce the risk of successful unfair dismissal claims being brought by those managers whose contracts are terminated.
 - 5.2 Currently senior managers' contracts do not provide for contribution based pay. The proposed new senior managers' contract will need to contain an appropriately drafted clause dealing with contribution based pay.
- 6 Equalities and Community Cohesion Comments
 - 6.1 All proposals will be supported with a full Equalities Impact Assessment as detailed at Appendix G in the report.
- 7 Head of Procurement Comments
 - 7.1 There are no procurement implications.
- 8 Policy Implication
 - 8.1 As a result of any changes to the reward principles and pay structures the Pay Policy will require revising and approval by Full Council. It is anticipated that this will be at the February 2016 Full Council.
- 9 Use of Appendices
 - 9.1 Appendix A Reward Principles
 - Appendix B Pay Structure
 - Appendix C Job Levels
 - Appendix D Job Families
 - Appendix E Pay Progression
 - Appendix F Timeline
 - Appendix G Equality Impact Assessment
- 10 Local Government (Access to Information) Act 1985