

Report for: Staffing and Remuneration Committee

Item number:

Title: Pay Review – April 2018

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

Lead Officer: Ian Morgan – Reward Strategy Manager

Ward(s) affected: All

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

1. Describe the issue under consideration

- 1.1 The National Joint Council (NJC) represents local authorities in England, Wales and Northern Ireland and their employees and are responsible for the national agreement on pay and conditions of employment which is the basis of the employment contract for the majority of Council's staff.
- 1.2 The agreement includes a pay spine which, in conjunction with the Haringey Price Tag, forms the pay and grading arrangements of employees covered by NJC.
- 1.3 The primary purpose of this report is to set out the proposed changes to the NJC pay spine and the impact to the pay bill of Haringey Council.
- 1.4 The secondary purpose of this report is to provide the Committee with recommendations for the conduct of the Senior Managers' Pay Review for 2018.

2. Cabinet Member Introduction

Not required for the Staffing and Remuneration Committee.

3. Recommendations

- 3.1. Note the changes to the National Joint Council pay arrangements for local authority staff.
- 3.2. Approve the parameters for the conduct of the Senior Manager Pay Review for 2018 as set out in this report.

4. Background to NJC Pay Review

- 4.1 Part of the current two year pay deal was a commitment to review the "Green Book" pay spine, in order to meet the challenge of achieving the Government's target of a National Living Wage equal to 60% of median earnings by 2020.

- 4.2 A joint technical review group, made up of Local Government Association (LGA) officers and trades union officials, was set up in 2016 with the aim of developing a national pay agreement to help future proof the national pay scales from large increases in the National Living Wage; and deal with potential equality and parity issues in the bottom pay scales. The technical review group undertook this work outside any formal negotiating position.
- 4.3 The National Living Wage (currently £7.50 per hour; £7.83 from April 2018) is driving pay increases at the bottom end of the local government pay scale which has increased by 19% between 2013 and 2017. Bottom loading has caused compression in the lower grades and the erosion of pay differentials. In order to meet the forecast National Living Wage rate of £8.75 by 2020, the bottom rate of pay would have to increase by a further 12%.
- 4.4 The technical group's solution was to propose a two year deal commencing in April 2018. The first year would see another bottom loaded pay increase and a new pay spine would be introduced in the second year.
- 4.5 Historically the pay spine arrangements for London have echoed the NJC framework and London Councils have undertaken some similar pay modelling in order to create a new pay spine that:
- Is compliant with London Living Wage (given that 29 London boroughs are committed to the voluntary rate)
 - Has equal incremental increases between each spinal column point
 - Does not cause equal pay issues
 - Can be the basis for a collective agreement
- 4.6 London Councils have yet to finalise their model, however, working on what we believe is the most feasible model we estimate that pay increases for the next two years are as set out in the following table:

Estimated pay awards for the rest of the workforce		
Grade	April 2018	April 2019
PO8	1.74%	4.28%
PO7	1.60%	1.69%
PO6	1.74%	4.20%
PO5	1.73%	1.61%
PO4	1.82%	4.05%
PO3	1.10%	3.27%
PO2	2.36%	4.64%
PO1	3.63%	2.15%
SO1	5.41%	2.91%
Scale 6	8.26%	1.48%
Scale 5	10.77%	3.18%
Scale 4	12.64%	3.01%
Scale 3	14.73%	1.18%
Scale 2	13.99%	4.54%
Scale 1	10.92%	4.28%

Overall	5.81%	2.75%
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5. Background to Senior Managers' Pay Review

5.1. Overall Reward Principles – On 14th September 2015 the Staffing & Remuneration Committee agreed to the adoption of a number of overarching principles regarding our pay policy and practices for all staff. These were:

- To aim for consistency and fairness in the processes we use to manage reward.
- To ensure that our reward processes and policies are transparent and accessible to all employees.
- To be mindful of the external market in making decisions about pay and benefits.
- To be clear about how we recognise and reward performance, whether at organisation, team or individual level.
- To retain a core set of benefits for all employees.

5.2. Senior Management Reward Principles – In addition there were a number of principles that applied to the senior management population regarding the determination of base pay including pay on appointment; and the conduct and timing of pay reviews. These were:

5.2.1 Base pay will be determined by:

- The role and where it sits in the organisation. All senior management roles will be evaluated using the Hay Group Guide Chart methodology.
- Reference to the external market, through regular participation in relevant pay surveys.
- Individual factors, including capability in the role demonstrated through growth in skills or role.
- Relevant internal pay comparisons.
- Pay bands for senior management will consist of open ranges without incremental points.

5.2.2 Base pay for the senior management population will be reviewed, but not necessarily increased, annually. The amount available for the pay review process is impacted 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. Progression through the pay band will not be automatic and will be determined by recommendations from the SLT.

5.2.3 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.

- 5.2.4 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.
- 5.3. Conduct of the Senior Manager Pay Review April 2018
- 5.3.1 One of the central principles of the new Senior Managers' Pay and Grading arrangements introduced in 2016 was the concept that an individual's salary would be reviewed, but not necessarily increased each year; and any pay award would be linked to the individual's contribution. This principle was embodied in the new senior management contracts of employment which in accordance with the Committee's decision on 26th January 2016 were issued to all senior managers (including the Chief Executive) to take effect from 1st April 2016.
- 5.3.2 To be eligible for the 2018 pay review individuals must have been employed on or before 1st October 2017, have successfully passed their probationary period, and hold a senior management position, as described below, on 1st April 2018. Senior managers employed after 1st October 2017 will be eligible for the supplementary review planned for 1st October 2018.
- 5.3.3 The eligible senior management positions are defined as the Strategic Leadership Team (SLT), Directors and Assistant Directors; and Heads of Service reporting directly to a Director, Assistant Director or a member of the SLT. A summary of senior management positions, together with their associated pay bands, is set out in Appendix A.
- 5.3.4 Individuals on NHS, Teachers or Soulbury terms and conditions are excluded from the senior managers' pay review as they have their own arrangements.
- 5.3.5 In addition there are a number of positions designated Senior Professional III that fall outside of the eligible senior management positions as defined in 5.3.3.
- 5.3.6 There are also a number of other senior positions that are on the Haringey payroll but are not part of our establishment and whose costs are met by consortia of local authorities.
- 5.3.7 The senior manager population have been using the My Conversation tool to assess both their performance outcomes and values and behaviours. This will be used as evidence of an individual's contribution to the Council and the results will populate the pay decision matrix. The proposed matrix is set out in Appendix A.
- 5.3.8 The pay bands for senior managers were devised in 2015 and are subject to periodic review. We are recommending that the senior manager pay bands be revised for 2018 by lifting the benchmark of each pay band by 1% and recalibrating the minimum and maximum of each band. This will help protect the headroom established by the Modern Reward Strategy between the senior manager population and the rest of the workforce and act as a buffer against the effects of compression on the national framework. The revised pay bands are set out in Appendix A.

- 5.3.9 Pay awards will be calculated as a percentage of the benchmark position for each role. By using this approach the pay award amount will be the same for everyone in the pay band, although the percentage increase will be greater for someone near the minimum of the pay band and smaller for someone near the maximum of the pay band.
- 5.3.10 We are recommending a pay award budget for the senior management population based on 2% of the aggregated benchmarks of the senior manager pay bands as set out in Appendix A.

6. Reason for decision

- 6.1. The Modern Reward Strategy has given the Council greater democratic control over the Senior Managers' Pay and Grading arrangements by breaking with the national pay bargaining and outcomes from the Joint Negotiating Committee for Chief Officers of Local Authorities (JNC).
- 6.2. The Committee agreed, at its meeting on 14th September 2015, to review the parameters of the conduct of the Senior Managers' Pay Review each year and delegate responsibility for managing the annual review, including addressing any anomalies such as recruitment and retention supplements, to the Head of Paid Service.

7. Alternative options considered

This is a report back item.

8. Contribution to strategic outcomes

The Modern Reward Strategy and its implementation gives the Council the opportunity to reinforce to the Senior Management population the importance of achieving the cultural changes set out in the Workforce Plan.

9. Statutory Officers' comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

9.1 Assistant Director of Corporate Governance Comments

There appear to be no legal implications arising from this report.

9.2 Chief Finance Officer Comments

- 9.1. The Chief Finance Officer has been consulted on the proposals set out in this report. The budget/Medium Term Financial Strategy (MTFS) that will be considered by Cabinet on 13th February 2018 and presented for Full Council approval on 26th February 2018 contains adequate provision to fund the cost of the pay increase set out in this report.

Equalities Comments

- 9.2. The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need to:
- 9.2.1. Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act;
- 9.2.2. Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it;

- 9.2.3. Foster good relations between people who share a relevant protected characteristic and people who do not share it;
- 9.2.4. A “relevant protected characteristic” is age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation.
- 9.2.5. An equalities impact assessment has been completed as shown in Appendix B.

10. Use of Appendices

- 10.1. The appendices to this paper are as listed below.

Appendix A – Conduct of the Senior Managers’ Pay Review in April 2018

Appendix B – Senior Manager Equalities Impact Assessment

11. Local Government (Access to Information) Act 1985

Not applicable.