

Chief Officers Employment Panel

Agenda

Monday 9 December 2019 at 4.00 pm
Room 9 (6th Floor)- 3 Shortlands, Hammersmith, W6 8DA

MEMBERSHIP

Administration	Opposition
Councillor Stephen Cowan Councillor Max Schmid Councillor Wesley Harcourt Councillor Ben Coleman	Councillor Adronie Alford



Shortlands

3 Shortlands,
Hammersmith,
London W6 8DA

-  **Closest Underground Station**
Hammersmith
-  **Closest Bus Stop**
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Note: This meeting is open to members of the public. The building has disabled access.

Date Issued: 29 November 2019

Chief Officers Employment Panel Agenda

9 December 2019

<u>Item</u>		<u>Pages</u>
1.	DECLARATIONS OF INTEREST If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent. At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken. Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest. Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.	
2.	CHANGES TO CHIEF OFFICER PAY AND GRADING This report recommends changes to Chief Officer pay and grading.	3 - 40

London Borough of Hammersmith & Fulham

Report to: Chief Officers Employment Panel

Date: 09/12/2019

Subject: Changes to Chief Officer Pay and Grading

Report of: Dawn Aunger, Assistant Director People and Talent

Summary

This report outlines the proposal to make changes to Chief Officer's pay and grading. The changes are driven by both a need to reduce the rate of pay growth at senior management levels, particularly at a time of significant financial strain and a desire to embed a consistent, fairer and more transparent approach to reward.

Following the conclusion of a formal consultation process with all affected officers which ended on 4th November 2019, the Chief Officers Employment Panel is requested to approve the recommended changes to Chief Officer terms and conditions of employment.

Recommendations

1. Approve the new grade and salary ranges as detailed in section 1 below for the Chief Executive and all Chief Officers (as defined in the constitution). The new grade and salary ranges to take effect from 1st April 2020.
2. Note that the new grade and salary ranges will replace all SMG grades from 1st April 2020.

Wards Affected: None

H&F Priorities

Please state how the outcome will contribute to our priorities – delete those priorities which are not appropriate

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">Building shared prosperity	Not applicable
<ul style="list-style-type: none">Creating a compassionate council	Additionally, the proposal provides greater parity of conditions between senior manager and non-senior manager grades in light of the fact that only senior managers are currently eligible to receive PRP.
<ul style="list-style-type: none">Doing things with local residents, not to them	Not applicable
<ul style="list-style-type: none">Being ruthlessly financially efficient	The removal of the current senior manager performance related pay schemes and introduction of new pay grades is forecast to reduce pay inflation by a total of £4.7 million over the four-year period 2020/21 to 2023/24.
<ul style="list-style-type: none">Taking pride in H&F	Not applicable

Financial Impact

This report focuses only on the strategic leadership team terms and conditions rather than the wider implications of the senior manager PRP scheme. The financial impact of this decision is currently unknown and will depend on the pay points of the Chief Executive and Chief Officers reporting to the Chief Executive, their assessed performance in 2019/20 and future years, and the costs of the proposed Total Reward approach.

The new scheme is projected to reduce pay inflation on the costs of senior managers (Head of Service and above) by £4.7 million during the next four years with a £1.8 million per annum reduction in senior manager costs by the end of 2023/24 compared to continuing with the current PRP schemes.

It should be noted that this report focuses only on the strategic leadership team terms and conditions.

Legal Implications

A consultation exercise involving all senior staff currently on SMG grades has been conducted, the summary of which is attached as Appendix 1 to this report for consideration by the Panel. The proposals contained within this report comply with legislative requirements and mitigates the risk of equal pay challenge.

Contact Officer(s):

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Background Papers Used in Preparing This Report

There are no background papers

DETAILED ANALYSIS**1. Proposals and Analysis of Options****Background to review of senior manager pay and reward**

- 1.1 A review of senior management pay and reward was undertaken to ensure levels of remuneration reflected the financial envelope the Council has to operate within to deliver excellent service in the context of increasing demands and reducing levels of resources. The structure of the organisation had also changed as a result of reshaping our departments to deliver strategic commitments, bringing some services back in-house and becoming a sovereign borough again in delivering many of our services.
- 1.2 The staff survey undertaken at the end of 2018 identified the need for greater transparency in our pay and reward approach across the Council. There was also a need to increase fairness in pay increases across the workforce so that senior managers were not receiving levels of reward that could be considered excessive in comparison to the rest of the workforce. In addition, when Full Council approved the 2019/20 Pay Policy Statement, it contained a commitment to review the existing Performance Related Pay (PRP) schemes. This includes the senior manager PRP schemes, one of which applies to the Chief Executive and Chief Officers (as defined in the Constitution), which requires a decision by this committee to implement any changes.

Designing the new pay and grading scheme

- 1.3 The remuneration packages for senior managers were reviewed based on several design principles and the need for greater efficiency. These design principles were:
- Salary uplifts to consider the Council's overall financial position
 - Review non-consolidated performance related bonuses
 - The level of remuneration paid to senior managers to be brought into line with the principles of fair pay
 - Seek to reduce pay inflation compared to the previous 4 years
 - A competitive salary to be offered considering the median pay in other London Boroughs
 - The potential impact on our gender pay gap to be considered
 - The design and application to comply with best practice on equal pay
 - Administration of senior manager pay to be efficient
 - A new pay model should offer a reasonable prospect of reaching agreement to implement.
- 1.4. There were four main options considered for the design of the new pay scales:
1. Do nothing
 2. Use fixed spot salaries
 3. Use of pay ranges
 4. Use of incremental points
- 1.5. Option 1 to do nothing was discounted on the basis that it would not reduce the rate of pay inflation or achieve more equitable levels of reward across the workforce. Option 2 of using fixed spot salaries was identified as having equal pay risks and was likely to have limited the Council's ability to recruit and retain in a competitive labour market. Option 3, using pay ranges was considered to offer flexibility and financial control. Option 4 restricted flexibility and financial control by having a set number of incremental salary points within each grade.
- 1.6 In considering the current design and structure of the Council's departments and the hierarchy of senior manager roles within them, it was decided that six different senior management grades differentiated between different levels of responsibility. It was also decided to remove overlap in salaries between different grades.

Proposal for grades for the Chief Executive and Chief Officers (as defined in the Constitution)

- 1.7 The changes on the grading and other aspects of remuneration for the posts within the remit of this Committee were part of the formal consultation with the whole of the Council's senior manager cohort. A copy of the close out

consultation report which details the process undertaken is attached as Appendix 1.

- 1.8 The most significant changes that are proposed are the removal of the existing PRP scheme and the replacement of the Chief Executive and SMG1 Upper Range with two new grades as follows:

Current Grade	Current Salary Range	New Grade	New Salary Range
Chief Executive	£156,060 to £192,474	Grade A	£175,000 to £195,000
SMG1 Upper	£124,947 to £168,345	Grade B	£136,001 to £170,000

- 1.9 The reason for the increases in the minimum salaries for both Grade A and Grade B compared to the current grades is to remove overlap and differentiate between the levels of responsibility. The actual salary paid to the postholders employed in Grade B is determined by the Chief Executive.

2 Reasons for Decision

- 2.1 The Chief Officers Employment Panel is responsible for all decisions on all matters related to the terms and conditions and policies of employment covering the Chief Executive and other Chief Officers (as defined in the Council's Constitution).
- 2.2 The following roles are defined as Chief Officers within the Constitution:
- 1) Head of Paid Service (Chief Executive)
 - 2) Section 151 Officer (Strategic Director of Finance & Governance)
 - 3) Director of Children's Services
 - 4) Strategic Director of Social Care
 - 5) Strategic Director of the Environment
 - 6) Strategic Director of the Economy
- 2.3 All other staffing matters are the responsibility of the Head of Paid Service (Chief Executive).

3 Equality Implications

It is not considered that the proposed changes at the Chief Officer level will have any implications for equalities. Please refer to appendix 1 which provides full details of the wider equality impact assessment that was undertaken.

Implications verified/completed by: (Mark Keeble, Pay and Reward Consultant, Telephone: 07966 942741)

4 Risk Management Implications

- 4.1 The report sets out the rationale for changing the remuneration arrangements for the Council's Chief Officers which is in line with the Council's objective of being Ruthlessly Financially Efficient with the proposed arrangements contributing to the Council's savings requirement.
- 4.2 The recommended option mitigates the risk of equal pay challenge and being able to recruit and retain suitable individuals to fill senior leadership roles in a competitive market.
- 4.3 Implications verified/completed by: (David Hughes, Director of Audit, Fraud, Risk and Insurance, 07817 507 695)

5 Consultation

- 5.1 Formal consultation was undertaken with senior managers employed by the Council and recognised trade unions (Unison and GMB) between 30 September 2019 and 4 November 2019. Section 3 on page 4 of Appendix 1 describes the consultation method.

List of Appendices:

Appendix 1 – Consultation Close Out Report: Senior Management Pay and Reward.
Appendix 2 – Commencement of Consultation Report: Senior management Pay and Reward

CONSULTATION

Consultation Topic: Senior Management Pay and Reward

Consultation Opens: 30 September 2019

Consultation Closes: 1 November 2019

Consultation Lead: Kim Smith, Chief Executive

Consultation Responses to: Payconsultation@OfficeSharedService.onmicrosoft.com

CONTENTS

- 1.0 Purpose
- 2.0 Summary of Proposed Changes
- 3.0 Consultation Method
- 4.0 Timetable
- 5.0 Current Arrangements
- 6.0 Proposed Arrangements
- 7.0 Group Reward Scheme
- 8.0 Eligibility
- 9.0 A Total Reward Approach
- 10.0 Impact
- 11.0 Financial Considerations
- 12.0 Implementation
- 13.0 Appendices
 - A. Current Pay Scales
 - B. Proposed Pay Scales

In March, I wrote to all senior managers with the details of the performance related pay arrangements and moderation process for the financial year 2018/19. At the same time, I set out that a review and new proposals for senior management pay and reward would be brought forward to address some deficiencies in the current process.

Since the introduction of the current scheme, a great deal has changed. I have introduced more distinctive management layers to differentiate the roles and responsibilities at each level, including re-introducing the assistant-director role. We became sovereign in many of our major service areas – reshaping the size of the council and roles required. Whilst our financial envelop to deliver excellent services and our Strategic Business Plan commitments proves even more challenging.

The recent staff survey also identified the need for greater transparency in our pay and reward approach across the council. Ensuring progression and reward is more consistent and clearer. We also need to ensure that the moderation process is quick and transparent too.

Finally, we must also be conscious about our approach to pay and reward across the whole council. I will be reviewing all seven performance-related pay schemes. Not everyone receives additional reward, despite their contribution to the success of the organisation. Our pay and reward must stand up to scrutiny.

I encourage you to participate fully in the consultation and help test and shape our proposals fully.

Kim Smith

Chief Executive

1.0 Purpose

This document sets out the changes being considered to how senior management grades have pay and reward determined.

At present there are 6 senior management grades and we operate two different types of performance related pay. Broadly the schemes consist of pay increments or percentage increases and a discretionary percentage award payable as a one-off, non-consolidated bonus. This is in addition to the annual cost of living pay award.

This consultation sets out proposed changes to how uplifts in pay will be determined through revised pay ranges for all senior manager grades. It is also proposed to remove the annual performance related non-consolidated payment and introduce a Total Reward approach to expand the range of non-financial benefits on offer.

The review is driven by both a need to reduce the rate of pay growth at senior management levels, particularly at a time of significant financial strain and a consistent, fairer and more transparent approach to reward.

Performance-related pay is currently incorporated into terms and conditions of employees on senior manager grades through collective bargaining mechanisms and therefore requires negotiation on any proposed changes.

2.0 Summary of Proposed Changes

It is proposed to:

1. Delete the current Senior Management Grades (SMG) and replace them with six new pay ranges.
2. Retain the national terms and conditions of the JNC for Chief Officers and JNC for Chief Executives, including the annual cost of living increase.
3. Apply a new simple criteria based on exceptional performance to measure the contribution of senior managers through a new performance management scheme to determine eligibility for a salary uplift within the new pay range.
4. Delete the current non-consolidated bonus scheme based on the outcome of individual appraisal ratings.
5. Introduce a new Service Director job title to better define the responsibilities or some current Assistant Director posts.
6. Fully implement the final proposals on 1 April 2020.
7. Implement a new Total Reward approach to expand the offer of non-pay benefits.
8. Operate the current PRP scheme for the final time during 2019/20 with appraisals completed in February 2020, moderation in March 2020 and payments made in April 2020.
9. Add the value of non-consolidated payments awarded for 2019/20 to base salary from 1 April 2020 in recognition of the removal of the current scheme, provided it does not exceed the maximum of the new grades.
10. Reviewing all market supplements in accordance with the council's pay policy.

3.0 Consultation Method

The formal consultation period will run from 1 October 2019 to 31 October 2019. The following events will be available for briefings and drop in sessions:

- **30 September 2019:** Consultation launch meeting, 12.30pm to 1.30pm at Shortlands, Chief Executive outlines proposals to senior managers.
- **2 October 2019:** Consultation launch meeting, 4.00pm to 5.00pm at Clockworks, Chief Executive outlines proposals to senior managers.
- **30 September 2019:** Consultation document circulated and letters outlining individual impacts sent
- **14 or 15 October 2019 tbc:** Mid-consultation meetings, opportunity to provide comments to Chief Executive and for feedback to be given on any questions received by email.
- **One to One meetings:** the opportunity to meet with a senior colleague in People & Talent will be available throughout the consultation period to discuss personal implications in confidence.

To book a one to one meeting with People and Talent, please email Payconsultation@OfficeSharedService.onmicrosoft.com.

In addition, appointments may be made with the Chief Executive for members of the Strategic Leadership Team (SLT).

Trade Unions (Unison, GMB and Unite) will be consulted through the trade union forum. Individuals may be accompanied to one to one meetings by their trade union representative or a work colleague.

All those affected are invited to offer verbal feedback and/or submit written responses and questions. We will publish responses to common questions and points of clarification as they arise on the Pay Consultation folder in Microsoft Teams. Only individuals in scope of the consultation will be given access.

Employees currently acting up or on secondment to a SMG graded post will be provided with copies of the consultation papers, so they are aware how their future remuneration maybe affected.

Consultation responses and questions can be sent to: Payconsultation@OfficeSharedService.onmicrosoft.com.

4.0 Consultation Timetable

30 September 2019	Two meetings schedule for Chief Executive to outline proposals
2 October 2019	Formal consultation opens (letters and consultation documents issued to all affected staff)
14 or 15 October 2019 tbc	Mid-point consultation meeting with Chief Executive
1 November 2019	Consultation closes
1 to 15 November 2019	Consider response to consultation
After 3 December 2019	Formal member level decision (Chief Officers Employment Panel)
By 19 December 2019	Formal letters sent and final documentation published confirming outcome.
1 April 2020	Implementation

5.0 Current Arrangements

The council currently has 6 defined senior management grades: SMG3; SMG2 Zones 1 and 2; SMG1 Lower and Upper ranges; plus a range for the chief executive. These are detailed in Table 1 below. Progression through the scales is by means of a performance-related assessment and a consolidated increase in base pay. In addition, a discretionary bonus scheme (non-consolidated) exists for one-off amounts to recognise performance and management behaviours.

Progression through the grades varies, but in all cases is determined by an annual appraisal. The opportunity to increase basic salary ranges from 13.20% (SMG1 lower) to 31.48% (SMG3) and 34.73% (SMG1 upper). There are also substantial overlaps in salary in the SMG2 zones and the SMG1 ranges which also overlaps with the chief executive grade. SMG3 also overlaps with the top of PO10 (£56,289 to £59,421). These overlaps do not allow for the salary to fully differentiate between the responsibilities undertaken in each grade.

Table 1: Current grades, ranges and progression

Grade	Salary Range	Range Percentage	Progression Route
SMG3	£58,614 – £77,070	31.48%	Nineteen spine points, up to two spine points for PRP + annual pay award
SMG2 – Zone 1	£85,299 – £107,031	15.30%	Percentage based on PRP + annual pay award
SMG2 – Zone 2	£92,826 – £111,231	19.83%	Percentage based on PRP + annual pay award
SMG1 – Lower	£111,387 – £126,096	13.20%	Percentage based on PRP + annual pay award
SMG1 – Upper	£122,497 – £168,345	34.73%	Percentage based on PRP + annual pay award
Chief Executive	£156,060 – £192,474	23.36%	Percentage based on PRP + annual pay award

As of Monday 2 September 2019, 106 senior managers were employed within the PRP scheme for consolidated and non-consolidated pay. This is an increase from 2016/17 when 70 senior managers were included in the scheme (although some posts were covered through shared-services within the tri/bi-borough).

The cost of all senior manager posts on the establishment in 2019/20 is £13.5 million (this is based on actual pay for current employees and mid-point of grade for posts that are vacant or covered by interims).

Financial information in section 10 below shows the average consolidated pay increase for senior managers in 2016/17, 2017/18, 2018/19 and 2019/20 was 5.8%, 3.7%, 5.0% and 4.8% respectively. This includes the cost of living awards in the base pay.

The average non-consolidated bonus payments for the same years were £6,219 (6.6%), £7,443 (8.7%), £2,063 (2.7%) and £1,890 (1.7%).

In comparison pay awards for NJC employees (non-senior managers graded up to PO10) were 1%, 1%, 2% and 2% respectively. Progression through grades for NJC staff is automatic (between 3 and 4 progression points per grade) with an average span of grades (range percentage) of 5.59%. This means the majority of NJC staff are at the top of their grade without the opportunity for PRP.

The council is also a London Living Wage employer. The respective increases for the London Living Wage over the same time are 4.6%, 3.4% and 5%. The 2019/20 rate will be announced in the first week of November 2019.

Senior management pay inflation has outstripped both NJC and London Living Wage awards for the past four years creating a further gap between NJC roles and senior management.

6.0 Proposed Arrangements

We are considering introducing the following:

- Introduce six new defined senior manager pay grades.
- Grades A to E will have set pay ranges which will be applied to all roles evaluated at the same grade without exception.
- Senior managers will be paid a salary within the pay range for their grade.
- Uplifts in salary base determined by contribution between 1 April and 31 March each year measured through a new performance management scheme to appraise delivery against targets.
- The new appraisal will be based on continuous performance assessment ('performance conversations') throughout the year and employees will need to evidence exceptional performance at their year-end performance discussion with their line manager.
- Grade F (Head of Service) will have a wider pay range compared to other grades to reflect the increased period of development that an individual may require when appointed to their first senior manager position. This will also allow us to support talent to progress internally to this level.
- Pay ranges will be compared to median values paid in other London Boroughs.
- Reviewing all market supplements.
- Reviewing all honoraria payments currently received by senior managers to ensure on-going payment is justified, the value is equitable, and a future review date is in place.

Table 2 below sets out the minimum and maximum salary range for each grade along with percentage between them and the progression route through the pay range.

The council has made a commitment to supporting the talent in our workforce to progress their careers. This includes through the Get Ahead scheme. In recognition of the challenges faced when making the transition into a senior manager role, the lowest point on Grade F (Head of Service) will start just above the top of PO10 to reflect the higher development needs of some individuals and also to differentiate between these two grades.

The proposed pay ranges are expected to significantly reduce the need for market supplements to be used at senior officer level in all but exceptional cases where justified by robust market evidence.

The following pay protection arrangements will apply:

- Individuals whose current pay exceeds the top of their new pay grade will receive one year's pay protection on their salary
- Individuals whose market supplements are removed or reduced following a review will be provided with 6 months' notice of the change.

Table 2: Pay Grades

Grade and Indicative Job Level	Salary Range	Range Percentage	Progression Route
Grade F – Head of Service <i>Reports into Assistant Director or Service Director</i>	£61,000 – £82,000	34.43%	Pay uplift dependent on outcome of performance assessment
Grade E – Assistant Director <i>Reports to Service Director / Director / Strategic Director</i>	£82,001 – £96,000	17.08%	Pay uplift dependent on outcome of performance assessment
Grade D – Service Director <i>Reports to Director / Strategic Director</i>	£96,001 – £116,000	20.84%	Pay uplift dependent on outcome of performance assessment
Grade C – Director / Chief Service Officer or Statutory Officer <i>Reports to Strategic Director</i>	£116,001 – £136,000	17.25%	Pay uplift dependent on outcome of performance assessment
Grade B – Strategic Director <i>Reports to Head of Paid Service</i>	£136,001 – £170,000	25.00%	Pay uplift dependent on outcome of performance assessment
Grade A – Head of Paid Service	£175,000 – £195,000	11.43%	Pay uplift dependent on outcome of performance assessment

Cost of Living Awards

The annual cost of living awards published by the JNC for Chief Officers (Grades B to F) and JNC for Chief Executives (Grade A) will be applied to individual salaries along with the minimum and maximum value of the grades from 1 April each year.

Salary Uplift

The current criteria in the SMG PRP schemes that determines the amount of pay progression awarded based on appraisal ratings will be replaced by new criteria that focuses managing delivery within budgets as well as the contribution each senior manager has achieved at an individual, department and organisational levels against service, including people management targets. The emphasis will be placed on recognising exceptional performance in which all targets are exceeded.

A new performance management scheme is being developed which will be used to determine the number and type of targets for senior managers to be considered for an uplift to their salary within the pay range based on their contribution during the period 1 April to 31 March. It is planned to do this by appraising delivery against targets followed by a corporate moderation process chaired by the Chief Executive.

7.0 Eligibility

Employees in grades A to F will be considered for a salary uplift to their fixed pay based on their performance provided they have completed their 6 month probation period prior to the end of the appraisal year (31 March).

An employee who has been promoted internally will need to have been in post carrying out the full duties of the job description for a minimum of 6 months prior to the end of the appraisal year.

8.0 Benchmarking

Table 3: Benchmarking of bands versus median values in London Boroughs

All London Boroughs		Median Values		Proposed H&F		
Job Level in London Councils Survey	Sample Size	Pay Range Min.	Pay Range Max.	Grade	Range Min.	Range Max.
Head of Paid Service	32	£181,887	£201,496	A - Chief Exec	£175,000	£195,000
Tier One - Exec Directors	79	£137,015	£156,999	B - Executive/SLT Director	£136,001	£170,000
Tier One - Directors	87	£113,570	£135,621	C - Director / Chief Service or Statutory Officer	£116,001	£136,000
Tier Two - Directors	197	£101,784	£119,520	D - Service Director	£96,001	£116,000
Tier Two - Assistant Directors	370	£86,933	£104,683	E - Assistant Director	£82,001	£96,000
Tier Three Chief Officer	463	£73,528	£86,320	F - Head of Service	£61,000	£82,000

In setting the new pay scales, consideration has been given to benchmarking data available from London Council's Chief Officers Pay Survey. The council seeks to maintain a position within the market where salary ranges are broadly comparable to the median value of chief officer salaries once local factors have been taken into account.

All of the new pay ranges have a significant overlap with the minimum and median pay values for other London Boroughs. A particular feature in H&F is a proportionately higher number of senior managers compared to other Boroughs.

The council's aim is to offer a competitive salary without chasing the top of the market with an enhanced benefits offer through the introduction of a Total Reward approach.

9.0 A Total Reward Approach

9.1 What is Total Reward?

Total Reward is an approach that covers all aspects of work that are part of the employee experience, including non-pay elements such as development and flexible working opportunities, in addition to the working environment, culture and line management.

A total reward approach recognises all elements of the employee experience and give equal prominence to both financial and non-financial benefits.

Whilst financial rewards have a key role to play, research consistently concludes that non-financial/intangible rewards are equally important when selecting which employer to work for and levels of motivation.

The CIPD lists the following elements of pay and benefits packages:

- flexible benefits
- access to professional and career development
- a challenging role
- freedom and autonomy
- opportunity for personal growth
- recognition of achievements
- preferred office space or equipment
- capacity to raise matters of concern
- involvement in decisions that affect the way work is done
- flexible working hours
- opportunities for home working
- administrative support.

9.2 Potential application in H&F

In a competitive labour market, the council wants to be able to differentiate our offer from other potential employers.

The 2018 staff survey has identified the changes and improvements employees would like to see whilst the People Strategy and Strategic Business Plan identify the people management and strategic priorities for H&F. Discussions will be taking place with staff focus groups to determine how this approach could be rolled out across the workforce and what the offer should consist of.

Initial thoughts on what could be offered that reflect current priorities are:

- offer up to 3 days additional paid leave to support wellbeing and work/life balance
- provide enhanced learning and development opportunities to include support for masters level qualifications
- introduce an annual £250 wellbeing allowance to be used flexibly by each individual to support physical and mental health
- provide access to free financial planning advice, including tax implications of pensions lifetime allowance
- interest free loans to purchase an electric car in support of environmental objectives

Suggestions are welcomed during the consultation to help shape this offer.

10.0 Impact

As of 2nd September 2019, there are 128 posts within the Senior Management Grades.

The current grade distribution of posts is as follows:

Grade	Number of Posts
CEO	1
SMG1 Upper	5
SMG1 Lower	5
SMG2 Zone 2	12
SMG2 Zone 1	23
SMG3	82
TOTAL	128

There are 92 employees in scope of the consultation, 81 are permanent (of which 1 is on maternity leave and 2 are seconded externally) and 11 are fixed term.

The following are cover arrangements are in place for 22 posts and are out of scope – 12 interims, 6 fixed term employees that are not in receipt of PRP, 3 employees who are acting up from a non-SMG post, 1 external secondment

14 posts are currently vacant.

All 92 employees in scope will be invited to attend the consultation meetings as they are directly affected. Of these, 4 are potentially negatively affected by this pay proposal with regard to their current salary and/or market supplements.

At SLT level (CEO & SMG1 upper) there are no adverse impacts from moving on to the new pay scales.

At SMG1 (lower) and SMG2 Zones 1 and 2, there are 2 individuals potentially impacted.

At SMG3 level, there are 2 individuals that are potentially impacted.

Note: one year's pay protection will be applied against salaries, 6 months' pay protection (notice) for market supplements that do not continue.

Equalities assessment of current and new salaries

An assessment of the potential equalities impact has been undertaken. This has been undertaken to determine how average salaries and scope for future pay uplift with regard to gender, ethnicity and age may change if the proposal was implemented. The comparison has been made based on current total remuneration (salary plus any market supplements currently received) and a new inclusive salary that absorbs any of these additional payments were possible.

There is insufficient monitoring data available to undertake a meaningful analysis of other protected characteristics such as religion or belief, sexual orientation and disability.

Data on the Asian group in the ethnicity analysis has not been included because less than 5 individuals are in this group. This is to avoid the risk that a single individual could be identified.

Table 4: Analysis of Changes to Total Pay (excluding bonuses)

<u>Gender</u>	Female	Male			
Average of Current Pay	£89,065	£81,343			
Average of Proposed Pay	£89,266	£81,454			
% Change	0.23	0.14			
<u>Ethnicity</u>	Asian	Black	Mixed/ Other	White	Unknown
Average of Current Pay	Less than 5	£101,095	£84,688	£79,570	£86,788
Average of Proposed Pay	people in	£101,095	£84,688	£79,537	£87,291
% Change	group.	0.00	0.00	-0.04	0.58
<u>Age Band</u>	Under 35 yrs	36 to 45 yrs	46 to 55 yrs	56 yrs & Over	
Average of Current Pay	£71,435	£78,562	£85,064	£93,946	
Average of Proposed Pay	£71,833	£79,060	£84,878	£94,137	
% Change	0.56	0.63	-0.22	0.20	

The reason for a small reduction in average earnings for those in the White ethnic group and 46 to 55 years age group is the reduction in the maximum salary for the proposed Grade E when compared to the current equivalent grade SMG2 Zone 1. The purpose of which is to remove overlaps in remuneration levels between grades.

Table 5: Analysis of Changes to Scope for Future Pay Uplift

Gender	Female	Male			
Average difference between current pay and top of grade	£9,039	£7,825			
Average difference between proposed pay and top of grade	£11,260	£10,412			
% Change	24.58	33.06			
Ethnicity	Asian	Black	Mixed/ Other	White	Unknown
Average difference between current pay and top of grade	Less than 5	£11,041	£6,206	£7,836	£9,069
Average difference between proposed pay and top of grade	people in group.	£9,105	£6,912	£10,728	£11,545
% Change		-17.53	11.37	36.91	27.30
Age Band	Under 35 yrs	36 to 45 yrs	46 to 55 yrs	56 yrs & Over	
Average difference between current pay and top of grade	£10,629	£7,593	£9,828	£6,682	
Average difference between proposed pay and top of grade	£12,898	£11,358	£10,209	£10,494	
% Change	21.36	49.59	3.88	57.04	

It should be noted that any future pay uplifts will be determined through the application of the new performance management scheme as set out above.

The reason for the decrease in the average scope for future pay uplifts for those in the Black group and smaller level of increase for the 46 to 55 years age group is also due the reduction in the maximum salary for the proposed Grade E when compared to the current equivalent grade SMG2 Zone 1. The purpose of which is to remove overlaps in remuneration levels between grades. The higher rates of increased scope for pay progression amongst some groups (Asian, 36 to 45 years and 56 years and Over) is due to over one third of the employees in each group currently being at the top of their grade.

Overall, the changes are not expected to have any significant impact on the Council's statutory gender pay gap measure.

11.0 Financial considerations

The current scheme in previous years has seen the SMG grades receive between 3 and 4 times the pay increases of NJC staff, three quarters of whom are at the top of the grade and only receive a cost of living increase.

Summary of pay increases 2016/17 to 2019/20

Year Paid	Value of Consolidated Pay Award	PRP Salary Increase (Average %)	Cost of Living Pay Award (%)	Value of Non-Consolidated Bonus Payments	Number Receiving	Average Bonus Payment	Average Bonus Payment (%)
2016-17	£316,606	4.8%	1	£435,334	70	£6,219.06	6.6%
2017-18	£135,990	2.7%	1	£625,286	84	£7,443.88	8.7%
2018-19	£139,413	3.0%	2	£55,709	27	£2,063.30	2.7%
2019-20	£98,209	2.8%	2	£60,478	32	£1,889.94	1.7%

On a modelled basis, the projection of the current scheme would see an increase in senior management pay from £14.0 million to £18.1 million – a 29% rise over 4 years (7.25% average, compared to 2% average for the majority of NJC employees).

Current cost of SMG posts and average salary and bonus awards 2016/17 to 2019/20

	Costs of SMG Posts on Current Grades	Average % increase in salary awarded	Average % bonus awarded
Baseline	£14,039,122	3.3	4.9

Projected costs (including employer on-costs) of current scheme

Year	Estimated Salary Costs (£)	Increased Salary Costs on Previous Year (£)	Bonus Payments (£)	Total (£)
2020-21	14,783,195	744,073	724,377	15,507,572
2021-22	15,566,705	783,509	762,769	16,329,473
2022-23	16,391,740	825,035	803,195	17,194,935
2023-24	17,260,502	868,762	845,765	18,106,267

The proposed scheme would see a 15% increase from 2019/20 to 2023/24, an average increase of 3.1% per year.

Costs of SMG posts in proposed scheme and projected value of pay uplifts

	Costs of SMG Posts on New Scale	Additional value of pay uplifts over 2% pay award
Baseline	£14,166,060	1%

Over a quarter of senior managers are predicted to be at the top of their grade by 1 April 2019. By the time vacant posts, interim cover and those ineligible for progression during the first 6 months in a senior manager post are taken into account, a provision of 1% of the pay bill will provide sufficient funds for reviews of those who are eligible for an uplift and exceed their targets.

Projected costs (including employer on-costs) of proposed scheme

Year	Estimated Salary Costs (£)	Increased Salary Costs on Previous Year (£)	Bonus Payments (£)	Total (£)
2020-21	14,895,612	856,490	-	14,895,612
2021-22	15,342,480	446,868	-	15,342,480
2022-23	15,802,755	460,274	-	15,802,755
2023-24	16,276,838	474,083	-	16,276,838

The new scheme is projected to reducing expenditure on senior manager by £4.7 million during the next four years with a £1.8 million per annum reduction in senior manager pay inflation by the end of 2023/24. This includes a provision of £30,000 per annum for wellbeing allowances and £30,000 per annum which is sufficient to allow up to a quarter of senior managers to be given up to 3 days' additional annual leave.

12.0 Implementation

The actual date of implementation of the new scheme will be confirmed at the end of the consultation period. It is envisaged that this will be 1st April 2020.

Assimilation to the new grades will be by moving over on to a salary within the new pay range that takes into account any salary progression awarded for 2019/20 and the national cost of living award. The new salary will take into account market supplements and other pay supplements where appropriate, subject to the top of the new grade range not being exceeded.

In recognition of the removal of the current PRP schemes, the value of the non-consolidated performance payments awarded for 2019/20 (subject to meeting current eligibility criteria) will also be added to salaries from 1 April 2020 (subject to the top of the new grade not being exceeded).

Individual targets and objectives for 2020/21 will be set during March 2020 under a new performance management scheme.

Uplifts in base salary in 2021 will be determined by contribution between 1 April 2020 and 31 March 2021 measured through a new performance management scheme to appraise delivery against targets.

The new appraisal will be based on continuous performance assessment ('performance conversations') throughout the year and employees will need to evidence exceptional performance at their year-end performance discussion with their line manager. The new scheme will be co-designed with stakeholder input and feedback from this consultation.

All new appointments to posts on the new senior manager grades will be made within the maximum of the salary for the evaluated grade without exception and would normally be at the starting point for the grade.

Appeals and re-grades against the Hay scheme for job evaluation will be permitted where there is a potential detriment (the proposed arrangements envisage that a maximum of 11 individuals could be in this position). No other job evaluation appeals will be considered until six months after implementation of the new scheme.

Individuals will be notified in writing about the potential impact for them at the start of consultation.

Appendices

Appendix A: Current SMG Pay Grades

Grade/Range	Pay Point	Annual Salary w.e.f. 1 April 2018	Annual Salary w.e.f. 1 April 2019
SMG3 Grade	1	£57,464	£58,614
	2	£58,470	£59,640
	3	£59,474	£60,666
	4	£60,481	£61,692
	5	£61,485	£62,715
	6	£62,491	£63,741
	7	£63,495	£64,767
	8	£64,502	£65,793
	9	£65,505	£66,816
	10	£66,512	£67,842
	11	£67,516	£68,868
	12	£68,523	£69,894
	13	£69,526	£70,917
	14	£70,533	£71,946
	15	£71,537	£72,969
	16	£72,543	£73,995
	17	£73,547	£75,018
	18	£74,554	£76,047
	19	£75,558	£77,070
SMG2 Zone 1 Range	Minimum	£83,627	£85,299
	Maximum	£104,931	£107,031
SMG2 Zone 2 Range	Minimum	£91,005	£92,826
	Maximum	£109,048	£111,231
SMG1 Lower Range	Minimum	£109,201	£111,387
	Maximum	£123,624	£126,096
SMG1 Upper Range	Minimum	£122,497	£124,947
	Maximum	£165,044	£168,345
Chief Executive Pay Range	Minimum	£153,000	£156,060
	Maximum	£188,700	£192,474

Appendix B: Proposed Pay Grades

Please note: figures for 2020/21, 2021/22 and 2022/23 are for indicative use only, assuming a 2% cost of living pay award. Actual increases applied will be in line with national pay awards.

Grade and Indicative Job Level	Range Min and Max	Annual Salary 1 April 2019 Values	Indicative Value 1 April 2020	Indicative Value 1 April 2021	Indicative Value 1 April 2022
Grade F Head of Service <i>Reports to Assistant Director or Service Director</i>	Minimum	£61,000	£62,220	£63,465	£64,735
	Maximum	£82,000	£83,640	£85,313	£87,020
Grade E Assistant Director <i>Reports to Service Director or Director</i>	Minimum	£82,001	£83,642	£85,315	£87,022
	Maximum	£96,000	£97,920	£99,879	£101,877
Grade D Service Director <i>Reports to Director or Strategic Director</i>	Minimum	£96,001	£97,922	£99,881	£101,879
	Maximum	£116,000	£118,320	£120,687	£123,101
Grade C Director/Chief Service Officer or Statutory Officer <i>Reports to Strategic Director</i>	Minimum	£116,001	£118,322	£120,689	£123,103
	Maximum	£136,000	£138,720	£141,495	£144,325
Grade B Strategic Director <i>Reports to Head of Paid Service</i>	Minimum	£136,001	£138,722	£141,497	£144,327
	Maximum	£170,000	£173,400	£176,868	£180,406
Grade A Head of Paid Service	Minimum	£175,000	£178,500	£182,070	£185,712
	Maximum	£195,000	£198,900	£202,878	£206,936

CONSULTATION – CLOSE OUT REPORT

Consultation Topic: Senior Management Pay and Reward

Consultation Opened: 30 September 2019

Consultation Closed: 4 November 2019

Consultation Lead: Kim Smith, Chief Executive

Consultation Responses to: Payconsultation@OfficeSharedService.onmicrosoft.com

CONTENTS

- 1.0 Purpose
- 2.0 Summary of Confirmed Changes
- 3.0 Consultation Method
- 4.0 Timetable
- 5.0 Confirmed arrangements
- 6.0 Eligibility
- 7.0 A Total Reward Approach
- 8.0 Impact
- 9.0 Financial Considerations
- 10.0 Implementation
- 11.0 Appendices
 - A. Current Pay Scales
 - B. Proposed Pay Scales

In March, I wrote to all senior managers with the details of the performance related pay arrangements and moderation process for the financial year 2018/19. At the same time, I advised you that a review and new proposals for senior management pay and reward would be brought forward to address some deficiencies in the current process.

More recently I have consulted with you on the detailed proposals and you have all had an opportunity to attend briefings, read the proposal packs, ask questions publicly and privately and give your feedback.

This report sets out the close out of the formal consultation process.

Thank you for engaging

Kim Smith

Chief Executive

1.0 Purpose

This document sets out the confirmed changes to how senior management grades will have pay and reward determined.

This consultation sets out the confirmed changes to how uplifts in pay will be determined through revised pay ranges for all senior manager grades.

The annual performance related non-consolidated payment will be removed, and a Total Reward approach will be introduced to expand the range of non-financial benefits on offer.

The changes are driven by both a need to reduce the rate of pay growth at senior management levels, particularly at a time of significant financial strain and a desire to embed a consistent, fairer and more transparent approach to reward.

2.0 Summary of confirmed changes

The following changes are confirmed:

1. Delete the current Senior Management Grades (SMG) and replace them with six new pay ranges.
2. Retain the national terms and conditions of the JNC for Chief Officers and JNC for Chief Executives, including the annual cost of living increase.
3. Apply a new, simple criteria based on exceptional performance to measure the contribution of senior managers through a new performance management scheme to determine eligibility for a salary uplift within the new pay range.
4. Delete the current non-consolidated bonus scheme based on the outcome of individual appraisal ratings.
5. Withdraw the proposed Service Director job title and retain Assistant Director – upper and lower.
6. Fully implement the final proposals on 1 April 2020.
7. Implement a new Total Reward approach to expand the offer of non-pay benefits.
8. Operate the current PRP scheme for the final time during 2019/20 with appraisals completed in February 2020, moderation in March 2020 and payments made in April 2020.
9. Add the value of non-consolidated payments awarded for 2019/20 to base salary from 1 April 2020 in recognition of the removal of the current scheme, provided it does not exceed the maximum of the new grades.
10. On-going reviews of all market supplements in accordance with the council's pay policy.

3.0 Consultation Method

The formal consultation period ran from 1 October 2019 to 1 November 2019 and the following events took place during that period:

- **30 September 2019:** Consultation launch meeting, 12.30pm to 1.30pm at Shortlands, Chief Executive outlined proposals to senior managers.
- **2 October 2019:** Consultation launch meeting, 4.00pm to 5.00pm at Clockworks, Chief Executive outlined proposals to senior managers.
- **30 September 2019:** Consultation document circulated and letters outlining individual impacts sent

- **17 October 2019:** Mid-consultation meeting, opportunity to provide comments to Chief Executive and for feedback to be given on any questions received by email.
- **8 November 2019:** End-consultation meeting.
- **One to One meetings:** the opportunity to meet with a senior colleague in People & Talent was available throughout the consultation period to discuss personal implications in confidence.
- **Appointments with the Chief Executive and SLT** were offered
- **Trade unions (Unison, GMB and Unite)** were consulted through the trade union forum and were invited to all formal consultation events.
- All those affected were invited to offer verbal feedback and/or submit written responses and questions. Responses were published to common questions and points of clarification
- Employees currently acting up or on secondment to a SMG graded post were provided with copies of the consultation papers
- Consultation responses and questions were sent to Payconsultation@OfficeSharedService.onmicrosoft.com.

The following documents were shared during consultation:

- The Chief Executive's presentation from the start of consultation meeting is available [here](#)
- Q&As from the start of consultation meeting are available [here](#)
- An explanation of how the job evaluation scheme is applied and how this would determine job titles is available [here](#)
- The Chief Executive's presentation from the mid-point consultation meeting is available [here](#)
- Q&As from the mid-point meeting are available [here](#)
- The end of consultation presentation is available [here](#)

Requests have been received to re-evaluate 11 job descriptions that affect the grades of 17 people. Evaluations will be completed, and individuals informed of the outcome.

4.0 Consultation Timetable

30 September 2019	Two meetings schedule for Chief Executive to outline proposals
2 October 2019	Formal consultation opens (letters and consultation documents issued to all affected staff)
17 October 2019	Mid-point consultation meeting with Chief Executive
4 November 2019	Consultation closes
1 to 15 November 2019	Consider response to consultation
By 30 November 2019	Formal letters sent (below SLT level) and final documentation published confirming outcome.
After 3 December 2019	Formal member level decision for SLT level senior manager (Chief Officers Employment Panel)
1 April 2020	Implementation

5.0 Confirmed arrangements

We will introduce the following:

- Six new defined senior manager pay grades.
- Grades A to E will have set pay ranges which will be applied to all roles evaluated at the same grade without exception.
- Senior managers will be paid a salary within the pay range for their grade.
- Uplifts in salary base determined by contribution between 1 April and 31 March each year measured through a new performance management scheme to appraise delivery against standards and targets.
- The new appraisal will be based on continuous performance assessment ('performance conversations') throughout the year and employees will need to evidence exceptional performance at their year-end performance discussion with their line manager.
- Grade F (Head of Service) will have a wider pay range compared to other grades to reflect the increased period of development that an individual may require when appointed to their first senior manager position. This will also allow us to support talent to progress internally to this level.
- Pay ranges will be compared to median values paid in other London Boroughs.
- Reviewing all market supplements.
- Reviewing all honoraria payments currently received by senior managers to ensure on-going payment is justified, the value is equitable, and a future review date is in place.

Table 2 below sets out the minimum and maximum salary range for each grade along with percentage between them and the progression route through the pay range.

Table 2: Pay Grades

Grade and Indicative Job Level	Salary Range	Range Percentage	Progression Route
Grade F – Head of Service <i>JE points 614 to 734</i> <i>Is likely to report into Assistant Director</i>	£61,000 – £82,000	34.43%	Pay uplift dependent on outcome of performance assessment
Grade E – Assistant Director (lower) <i>JE points 735 to 879</i> <i>Is likely to report into Director/ Strategic Director</i>	£82,001 – £96,000	17.08%	Pay uplift dependent on outcome of performance assessment
Grade D – Assistant Direct (upper) <i>JE points 880 to 1,055</i> <i>Is likely to report into to Director/ Strategic Director</i>	£96,001 – £116,000	20.84%	Pay uplift dependent on outcome of performance assessment
Grade C – Director / Chief Service Officer or Statutory Officer <i>JE points 1,056 to 1,260</i> <i>Is likely to report into Strategic Director</i>	£116,001 – £136,000	17.25%	Pay uplift dependent on outcome of performance assessment
Grade B – Strategic Director <i>JE points 1,261 to 1,800</i> <i>Is likely to report to Head of Paid Service</i>	£136,001 – £170,000	25.00%	Pay uplift dependent on outcome of performance assessment
Grade A – Head of Paid Service <i>JE points 1,801+</i>	£175,000 – £195,000	11.43%	Pay uplift dependent on outcome of performance assessment

The council has made a commitment to supporting the talent in our workforce to progress their careers. This includes through the Get Ahead scheme. In recognition of the challenges faced when making the transition into a senior manager role, the lowest point on Grade F (Head of Service) will start just above the top of PO10 to reflect the higher development needs of some individuals and also to differentiate between these two grades.

The proposed pay ranges are expected to significantly reduce the need for market supplements to be used at senior officer level in all but exceptional cases for fixed periods where justified by robust market evidence.

The following pay protection arrangements will apply:

- Individuals whose current pay exceeds the top of their new pay grade will receive one year's pay protection on their salary
- Individuals whose market supplements are removed or reduced following a review will be provided with 6 months' notice of the change.

Cost of Living Awards

The annual cost of living awards published by the JNC for Chief Officers (Grades B to F) and JNC for Chief Executives (Grade A) will be applied to individual salaries along with the minimum and maximum value of the grades from 1 April each year.

Salary Uplift

The current criteria in the SMG PRP schemes that determines the amount of pay progression awarded based on appraisal ratings will be replaced by new criteria that focuses managing delivery within budgets as well as the contribution each senior manager has achieved at an individual, department and organisational levels against service, including people management targets. The emphasis will be placed on recognising exceptional performance in which all standards/targets are exceeded.

A new performance management scheme is being developed which will be used to determine the number and type of standards/targets for senior managers to be considered for an uplift to their salary within the pay range based on their contribution during the period 1 April to 31 March. It is planned to do this by appraising delivery against standards/targets followed by a corporate moderation process chaired by the Chief Executive.

6.0 Eligibility

Employees in grades A to F will be considered for a salary uplift to their fixed pay based on their performance provided they have completed their 6-month probation period prior to the end of the appraisal year (31 March).

An employee who has been promoted internally will need to have been in post carrying out the full duties of the job description for a minimum of 6 months prior to the end of the appraisal year.

7.0 A Total Reward Approach

7.1 What is Total Reward?

Total Reward is an approach that covers all aspects of work that are part of the employee experience, including non-pay elements such as development and flexible working opportunities, in addition to the working environment, culture and line management.

A total reward approach recognises all elements of the employee experience and give equal prominence to both financial and non-financial benefits.

Whilst financial rewards have a key role to play, research consistently concludes that non-financial/intangible rewards are equally important when selecting which employer to work for and levels of motivation.

The CIPD lists the following elements of pay and benefits packages:

- flexible benefits
- access to professional and career development
- a challenging role
- freedom and autonomy
- opportunity for personal growth
- recognition of achievements
- preferred office space or equipment
- capacity to raise matters of concern
- involvement in decisions that affect the way work is done
- flexible working hours
- opportunities for home working
- administrative support.

7.2 Potential application in H&F

In a competitive labour market, the council wants to be able to differentiate our offer from other potential employers.

The 2018 staff survey has identified the changes and improvements employees would like to see whilst the People Strategy and Strategic Business Plan identify the people management and strategic priorities for H&F. Discussions will be taking place with staff focus groups to determine how this approach could be rolled out across the workforce and what the offer should consist of.

Initial thoughts on what could be offered that reflect current priorities are:

- offer up to 3 days additional paid leave to support wellbeing and work/life balance
- provide enhanced learning and development opportunities to include support for masters level qualifications
- introduce an annual £250 wellbeing allowance to be used flexibly by each individual to support physical and mental health
- provide access to free financial planning advice, including tax implications of pensions lifetime allowance
- interest free loans to purchase an electric car in support of environmental objectives

Suggestions that were received during the consultation included:

- Support for greater opportunities for flexible working and to improve work-life balance of senior managers in particular
- Requests for further consideration of health and wellbeing initiatives
- Our approach for attracting and retaining talented senior managers going forward, including, but not limited to, offering competitive salaries
- Further consideration of the total rewards offer – this will be included with feedback on reward and recognition from the H&F Way engagement activities.

All these suggestions will be considered as we develop The H&F Way forward.

8.0 Equalities assessment of current and new salaries

At present, there are 11 jobs which need to be re-evaluated following a request for an individual in scope of the consultation. Once these have been completed, a final assessment of the actual equalities impact of the changes will be undertaken and made available.

The analysis in tables 4 and 5 below is based on the position at the start of consultation. The comparison was made based on current total remuneration (salary plus any market supplements currently received) and a new inclusive salary that absorbs any of these additional payments were possible.

There was insufficient monitoring data available to undertake a meaningful analysis of other protected characteristics such as religion or belief, sexual orientation and disability.

Data on the Asian group in the ethnicity analysis has not been included because less than 5 individuals are in this group. This is to avoid the risk that a single individual could be identified.

Table 4: Analysis of Changes to Total Pay (excluding bonuses)

Gender	Female	Male			
Average of Current Pay	£89,065	£81,343			
Average of Proposed Pay	£89,266	£81,454			
% Change	0.23	0.14			
Ethnicity	Asian	Black	Mixed/ Other	White	Unknown
Average of Current Pay	Less than 5	£101,095	£84,688	£79,570	£86,788
Average of Proposed Pay	people in	£101,095	£84,688	£79,537	£87,291
% Change	group.	0.00	0.00	-0.04	0.58
Age Band	Under 35 yrs	36 to 45 yrs	46 to 55 yrs	56 yrs & Over	
Average of Current Pay	£71,435	£78,562	£85,064	£93,946	
Average of Proposed Pay	£71,833	£79,060	£84,878	£94,137	
% Change	0.56	0.63	-0.22	0.20	

The reason for a small reduction in average earnings shown in table 4 above for those in the White ethnic group and 46 to 55 years age group is the reduction in the maximum salary for the Grade E when compared to the current equivalent grade SMG2 Zone 1. The purpose of which is to remove overlaps in remuneration levels between grades.

An analysis of the potential impact on the scope for future pay increases compared to current grades is contained in table 5 below. It should be noted that any future pay uplifts up to the maximum of new grades will be determined through the application of the new performance management scheme as set out above. Neither the current PRP scheme or the future performance management scheme will guarantee any salary uplift each year.

The reason for the decrease in the average scope for future pay uplifts for those in the Black group and smaller level of increase for the 46 to 55 years age group is also due the reduction in the maximum salary for the proposed Grade E when compared to the current equivalent grade SMG2 Zone 1. The purpose of which is to remove overlaps in remuneration levels between grades. The higher rates of increased scope for pay progression amongst some groups (Asian, 36 to 45 years and 56 years and Over) is due to over one third of the employees in each group currently being at the top of their grade.

Overall, the changes are not expected to have any significant impact on the Council's statutory gender pay gap measure.

Table 5: Analysis of Changes to Scope for Future Pay Uplift

Gender	Female	Male			
Average difference between current pay and top of grade	£9,039	£7,825			
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% Change	24.58	33.06			
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Average difference between current pay and top of grade	Less than 5 people in group.	£11,041	£6,206	£7,836	£9,069
Average difference between proposed pay and top of grade		£9,105	£6,912	£10,728	£11,545
% Change		-17.53	11.37	36.91	27.30
Age Band	Under 35 yrs	36 to 45 yrs	46 to 55 yrs	56 yrs & Over	
Average difference between current pay and top of grade	£10,629	£7,593	£9,828	£6,682	
Average difference between proposed pay and top of grade	£12,898	£11,358	£10,209	£10,494	
% Change	21.36	49.59	3.88	57.04	

9.0 Financial considerations

The current scheme in previous years has seen the SMG grades receive between 3 and 4 times the pay increases of NJC staff, three quarters of whom are at the top of the grade and only receive a cost of living increase.

Summary of pay increases 2016/17 to 2019/20

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2019-20	£98,209	2.8%	2	£60,478	32	£1,889.94	1.7%

On a modelled basis, the projection of the current scheme would have seen an increase in senior management pay from £14.0 million to £18.1 million – a 29% rise over 4 years (7.25% average, compared to 2% average for the majority of NJC employees).

Current cost of SMG posts and average salary and bonus awards 2016/17 to 2019/20

	Costs of SMG Posts on Current Grades	Average % increase in salary awarded	Average % bonus awarded
Baseline	£14,039,122	3.3	4.9

Projected costs (including employer on-costs) of current scheme

Year	Estimated Salary Costs (£)	Increased Salary Costs on Previous Year (£)	Bonus Payments (£)	Total (£)
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The proposed scheme would see a 15% increase from 2019/20 to 2023/24, an average increase of 3.1% per year.

Costs of SMG posts in proposed scheme and projected value of pay uplifts

	Costs of SMG Posts on New Scale	Additional value of pay uplifts over 2% pay award
Baseline	£14,166,060	1%

Over a quarter of senior managers are predicted to be at the top of their grade by 1 April 2019. By the time vacant posts, interim cover and those ineligible for progression during the first 6 months in a senior manager post are taken into account, a provision of 1% of the pay bill will provide sufficient funds for reviews of those who are eligible for an uplift and exceed their targets.

Projected costs (including employer on-costs) of proposed scheme

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2022-23	15,802,755	460,274	-	15,802,755
2023-24	16,276,838	474,083	-	16,276,838

The new scheme is projected to reduce pay inflation on the costs of senior managers by £4.7 million during the next four years with a £1.8 million per annum reduction in senior manager costs by the end of 2023/24 compared to continuing with the current PRP schemes. This includes a provision of £30,000 per annum for wellbeing allowances and £30,000 per annum which is enough to allow up to a quarter of senior managers to be given up to 3 days' additional annual leave.

If all the requests for a job evaluation resulted in an increase in grade, the estimated cost of salaries in 2020/21 would increase by £90,000.

10.0 Implementation

The actual date of implementation of the new scheme is confirmed as 1st April 2020.

Assimilation to the new grades will be by moving over on to a salary within the new pay range that considers any salary progression awarded for 2019/20 and the national cost of living award. The new salary will consider market supplements and other pay supplements where appropriate, subject to the top of the new grade range not being exceeded.

In recognition of the removal of the current PRP schemes, the value of the non-consolidated performance payments awarded for 2019/20 (subject to meeting current eligibility criteria) will also be added to salaries from 1 April 2020 (subject to the top of the new grade not being exceeded). Senior managers will be invited to a discussion group in relation to eligibility in January 2020.

Individual targets and objectives for 2020/21 will be set during March 2020 under a new performance management scheme.

Uplifts in base salary in 2021 will be determined by contribution between 1 April 2020 and 31 March 2021 measured through a new performance management scheme to appraise delivery against targets. Guidance for appraisals will be available by January 2020.

The new appraisal will be based on continuous performance assessment ('performance conversations') throughout the year and employees will need to evidence exceptional performance at their year-end performance discussion with their line manager. The new scheme will be co-designed with stakeholder input and feedback from this consultation.

All new appointments to posts on the new senior manager grades will be made within the maximum of the salary for the evaluated grade without exception and would normally be at the starting point for the grade.

Appeals and re-grades against the Hay scheme for job evaluation will be permitted where there is a potential detriment (the proposed arrangements envisage that a maximum of 11 individuals could be in this position). No other job evaluation appeals will be considered until six months after implementation of the new scheme.

Individuals will be notified to confirm the changes by the end of November 2019 with the exception of members of SLT who will receive notification during December 2019 subject to the Chief Officer Employment Panel agreeing the changes to their terms and conditions.

Appendices

Appendix A: Current SMG Pay Grades

Grade/Range	Pay Point	Annual Salary w.e.f. 1 April 2018	Annual Salary w.e.f. 1 April 2019
SMG3 Grade	1	£57,464	£58,614
	2	£58,470	£59,640
	3	£59,474	£60,666
	4	£60,481	£61,692
	5	£61,485	£62,715
	6	£62,491	£63,741
	7	£63,495	£64,767
	8	£64,502	£65,793
	9	£65,505	£66,816
	10	£66,512	£67,842
	11	£67,516	£68,868
	12	£68,523	£69,894
	13	£69,526	£70,917
	14	£70,533	£71,946
	15	£71,537	£72,969
	16	£72,543	£73,995
	17	£73,547	£75,018
	18	£74,554	£76,047
	19	£75,558	£77,070
SMG2 Zone 1 Range	Minimum	£83,627	£85,299
	Maximum	£104,931	£107,031
SMG2 Zone 2 Range	Minimum	£91,005	£92,826
	Maximum	£109,048	£111,231
SMG1 Lower Range	Minimum	£109,201	£111,387
	Maximum	£123,624	£126,096
SMG1 Upper Range	Minimum	£122,497	£124,947
	Maximum	£165,044	£168,345
Chief Executive Pay Range	Minimum	£153,000	£156,060
	Maximum	£188,700	£192,474

Appendix B: Confirmed Pay Grades from 1 April 2020

Please note: figures for 2020/21, 2021/22 and 2022/23 are for indicative use only, assuming a 2% cost of living pay award. Actual increases applied will be in line with national pay awards.

Grade and Indicative Job Level	Range Min and Max	Annual Salary 1 April 2019 Values	Indicative Value 1 April 2020	Indicative Value 1 April 2021	Indicative Value 1 April 2022
Grade F - Head of Service <i>JE points 614 to 734</i> <i>Likely to report to Assistant Director</i>	Minimum	£61,000	£62,220	£63,465	£64,735
	Maximum	£82,000	£83,640	£85,313	£87,020
Grade E – Assistant Director (lower) <i>JE points 735 to 879</i> <i>Likely to report to Director or Strategic Director</i>	Minimum	£82,001	£83,642	£85,315	£87,022
	Maximum	£96,000	£97,920	£99,879	£101,877
Grade D – Assistant Direct (upper) <i>JE points 880 to 1,055</i> <i>Likely to report to Director or Strategic Director</i>	Minimum	£96,001	£97,922	£99,881	£101,879
	Maximum	£116,000	£118,320	£120,687	£123,101
Grade C – Director / Chief Service Officer or Statutory Officer <i>JE points 1,056 to 1,260</i> <i>Likely to report to Strategic Director</i>	Minimum	£116,001	£118,322	£120,689	£123,103
	Maximum	£136,000	£138,720	£141,495	£144,325
Grade B - Strategic Director <i>JE points 1,261 to 1,800</i> <i>Is likely to report to Head of Paid Service</i>	Minimum	£136,001	£138,722	£141,497	£144,327
	Maximum	£170,000	£173,400	£176,868	£180,406
Grade A - Head of Paid Service <i>JE points 1,801+</i>	Minimum	£175,000	£178,500	£182,070	£185,712
	Maximum	£195,000	£198,900	£202,878	£206,936