

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

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INTRODUCTION

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			
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 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

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 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 (£)
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 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