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<b>Meeting</b>	Remuneration Committee
<b>Date</b>	25 March 2014
<b>Subject</b>	<b>Senior Managers' Pay Review 2014</b>
<b>Report of</b>	Chief Executive
<b>Summary</b>	This report sets out for Committee proposals for increases to Senior Managers' grades and rates of pay with effect from 1 April 2014.

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Officer Contributors	Graham Thurston, Unified Reward Project Manager
Status (public or exempt)	Public
Wards Affected	-
Key Decision	-
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Not Applicable
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## **1. RECOMMENDATIONS**

**1.1. To agree that the Council applies a differential % increase to its Senior Manager grades and rates of pay, with effect from 1 April 2014 as follows:**

**1.1.1. Grades LBB1 to LBB5 inclusive – no percentage increase**

**1.1.2. Grade LBB6 – no percentage increase**

**1.1.3. Grade LBB7 – no percentage increase although market factor supplements may be applied as a retention measure for exceptional performance.**

## **2. PREVIOUS RELEVANT DECISIONS**

2.1. Remuneration Committee 28 June 2012 agreed:

2.1.1. the mid point between market median and lower quartile as the appropriate immediate pay range for those (48) new senior posts which will be created by the re-organisation of the Council's senior management structure.

2.1.2. the medium term objective that the pay range for Senior Posts will be benchmarked against the lower quartile of the Industrial and Services sector

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

3.1. The Remuneration Committee plays a key role in ensuring that the corporate vision of 'Better Services with Less Money' is supported by the Reward Strategy. The pay bill is the largest cost for the London Borough of Barnet and this committee will underpin the aim of pay control in order to deliver the Mid Term Financial Plan.

3.2. The Council's reward strategy for Senior Managers balances the need for the Council to recruit and retain the senior management talent required to drive the organisation forward and deliver Council aims and objectives against affordability and cost control.

## **4. RISK MANAGEMENT ISSUES**

4.1. The establishment of this committee forms part of the Council's discharge of its responsibilities under the Localism Act 2011, in particular the issues of transparency for Chief Officer pay.

4.2. The Council needs to secure the necessary talent to deliver the ambition set out by the Head of Paid Service. If pay is set too low then incumbents may leave and neither may the Council be able to attract the talent to deliver this demanding agenda.

4.3. The context is that:

- need to retain key talent selected for the new senior posts.

- possible inability to grow our internal talent fast enough to meet the organisational needs
- the Council will need to attract candidates away from established and stable employers
- the need to recruit people who are capable of creating a new organisation within a new structure
- some strong competition for scarce skills in the labour market – e.g. NHS Lead Commissioners

4.4. There is a key challenge to ensure that reward levels are benchmarked against a broad basket of employers so that the Council is able to attract and retain talent and yet remains affordable within the Council's MTFS and is cognisant of external factors impacting upon public sector pay.

## **5. RISK MANAGEMENT ISSUES**

5.1. The Council needs to set pay rates for senior managers that are affordable and allow the organisation to recruit and retain the talent it needs to drive forward in the future. If pay rates are too low then the Council may struggle to recruit and retain employees, especially as the country appears to coming out of recession and entering a period of growth. If pay rates are set too high then the Council is in effect paying too much for the management of its functions and operations.

## **6. EQUALITIES AND DIVERSITY ISSUES**

6.1. The functions undertaken by the Remuneration Committee support the Council in its compliance of the Public Sector Equality Duty as set out in Equality Act 2010.

6.2. The Remuneration Committee will need to demonstrate that its functions and decisions have taken due regard of the need to:

- eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Act;
- support equality of opportunity between those with a protected characteristic and those without;
- promote good relations between those with a protected characteristic and those without

6.3. All senior manager posts have been evaluated using the Hay job evaluation scheme and placed in grades according to the relative size of the job.

## **7. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

### **Financial impact on the Council**

7.1. Provision for a 1 per cent increase in 2014/15 had been assumed across all pay grades within the Council. This proposal does not exceed this. In addition, a review of senior management positions would continue to reduce

the overall cost of senior management positions whilst maintaining a competitive package to attract and retain high quality candidates.

## **8. LEGAL ISSUES**

- 8.1. This tier of managers does not belong to any collective bargaining group. There are no legal implications.

## **9. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)**

- 9.1. The Remuneration Committee's terms of reference are noted in Part 3 of the Council's Constitution – Responsibility for Functions

## **10. BACKGROUND INFORMATION**

- 10.1. In 2012 the new senior managers' grades and rates of pay were determined by Remuneration Committee with reference to specific market pay data and by comparison to other London Boroughs.
- 10.2. Remuneration Committee agreed that future pay awards for senior managers will be a matter for local determination rather than national negotiation as was the case previously.
- 10.3. In June 2012 it was agreed that the Council's 'market position' at that time would be the mid-way point between the Lower Quartile (LQ) and Median pay rates as contained in the Hay market data for the Industrial and Service Sector for London (excluding financial services). The maximum point (Fully Competent position) of each grade would relate to the market and each grade would have two further pay points lower than this that relate to 'Entry' and 'Developing' pay points within the grade.

### **Market Data Analysis**

- 10.4. Several sources of data are available and these are analysed in the paragraphs below. Market data is only meant to provide information in order to assist the Council form views and make decisions relating to senior managers' pay. The analysis consists of:
- 2013 market data from HayGroup:
  - Pay survey data from London Councils
  - Snapshot of Chief Executive pay

## HayGroup Market Data

- 10.5. Hay market data has been purchased and analysed (data was updated in October 2013) and compared to current rates of pay for senior managers. The following table shows how the Council's fully competent pay rates for the seven senior manager grades compares to the market data.

Grade	Current Fully Competent rate	LQ	Med	Market point	% change required to match 'market point'
LBB1	£187,613	£179,882	£211,200	£195,541	+4.2%
LBB2	£158,464	£152,643	£175,995	£164,319	+3.7%
LBB3	£134,870	£131,377	£155,307	£143,342	+6.3%
LBB4	£113,846	£109,574	£129,932	£119,753	+5.2%
LBB5	£94,599	£92,000	£107,931	£99,965	+5.7%
LBB6	£79,457	£77,241	£90,968	£84,104	+5.8%
LBB7	£64,389	£63,000	£74,997	£68,999	+7.1%

- 10.6. The data shows that an increase of between 3.7% to 7.1% is required to maintain the Council's market position ('Market point') of mid-way between LQ and Median.
- 10.7. The same survey data was used in 2012 to set senior managers' pay rates at the time the new pay structure was established. The survey data includes a broad range of public, private and not-for-profit sectors in London (excluding financial services).

## London Councils' Data

- 10.8. Each year Haringey Council conducts a chief officer pay survey on behalf of London Councils. This is a subscription service that Barnet has subscribed to for the first time. It allows us to benchmark our pay against other London Boroughs for all senior manager posts. The data collected represented a snapshot as of 1 April 2013.

- 10.9. The following table shows the survey information for 2011/12 and 2012/13 and the movement between the two years; a brief description regarding the level of jobs and how Barnet's senior management have been matched to the data. The survey pay data is the average (mean) of all participating boroughs.

London Councils Data				Difference		LBB			
Data Level	Description	2011/12	2012/13	£	%	Grades	Grade Max	Level Median	% Diff
A1	Chief Executive	£178,518	£179,262	£744	0.40%	LBB1	£187,613	£187,613	4.7%
A2	Executive Director or Director	£129,582	£128,118	- £1,464	- 1.10%	LBB2	£158,464	£134,870	5.3%
						LBB3	£134,870		
A3	Assistant Director	£91,415	£95,381	£3,966	4.30%	LBB4	£113,846	£94,599	-0.8%
						LBB5	£94,599		
A4	Head of Service	£66,683	£70,775	£4,092	6.10%	LBB6	£79,457	£61,170	- 13.6%
						LBB7	£64,389		

- 10.10. As can be seen in the table above pay for the top two tiers, which cover Chief Executives and Directors, have not seen much change between 2011/12 and 2012/13. The small changes are probably due to a combination of staff turnover and pay progression through a grade. There are greater changes in the two lower tiers that typically cover Assistant Directors and Heads of Service. Nearly all of Barnet Council's Heads of Service are paid in grade LBB7.

### Chief Executives' Pay

- 10.11. A survey of Chief Executives pay across London was carried out based on data published on council websites. The table below shows the results of that survey for all London Boroughs, Barnet's immediate neighbours and our own position.

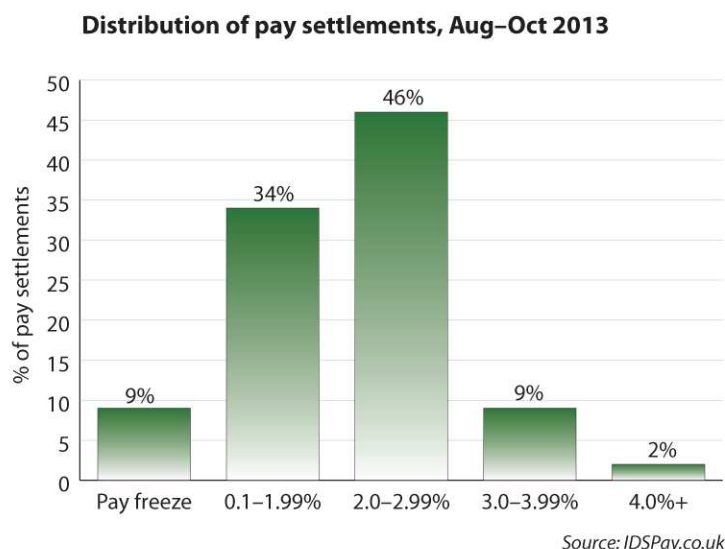
All LBs Median	Harrow	Brent	Camden	Haringey	Enfield	Barnet
£183,250	£187,405	£187,044	£155,000	£189,440	£189,528	£187,613

- 10.12. There are six London Boroughs where the pay for the Chief Executive has decreased during the last 12 months. The reductions tend to be quite small (in the region of 2% to 4%). However, there are two boroughs where the pay has reduced significantly. Tower Hamlets have paid up to around £208,000 per annum according to their statement of accounts in 2012/13. According to their website the Chief Executive's current pay range is £155,000 to £160,000 (a reduction of 23% to 25%). The previous Chief Executive of the Royal Borough of Kensington & Chelsea was paid around £209,000 base salary but

according to their website has been replaced with the new incumbent paid £181,000 (a reduction of 13%).

### Other factors

- 10.13. The national pay award for NJC Green Book employees was 1% with effect from April 2013. The JNC for Chief Executives and Chief Officers did not make a pay offer in 2013. As yet no claim has been submitted for 2014 and it is not known if the National Employers will make an offer for Chief Executives and Chief Officers.
- 10.14. The annual rate of inflation for the year to date (October 2013 inflation figures) is 2.2% (CPI) and 2.6% (RPI), this down on the previous month which was 2.7% and 3.2% respectively (2013 September inflation figures).
- 10.15. The Council subscribes to IDS Pay (a service operated by Incomes Data Services) and receives monthly reports concerning amongst other things pay settlements. The data for the past three months is shown the chart below. The median award is 2%. The trend of pay settlements since May 2013 has been consistent with a median of 2.5%. The reduction in the latest reported figure is probably connected to the rate of inflation, which also decreased by a similar amount between September and October.



### Summary

- 10.16. Overall, the data shows a mixed picture. There appears to be the following:
- Pay at the higher levels seems to be quite stagnant
  - There seems greater upward pressure on salaries in the lower senior manager levels (LBB6 and 7 – our Heads of Service grades)
  - Some London Boroughs have reduced the pay of their Chief Executive posts
  - The current pay of the Chief Executive is above the median for all London Boroughs and is comparable with LBB's immediate neighbours (within 1%)

- LBB's position relative to the Hay Data has reduced to between 2% above LQ at the lower SM grades to 4% above LQ at the higher SM grades
- All LBB grades (apart from LBB7) appear to be reasonably in line with market data
- LBB7, where the majority of our Heads of Service are, appears to be lower in comparison with Hay market data and the London Councils survey data
- Pay settlements for public sector remain low at between 0% - 1%
- Pay settlements for wider economy are in the range 0% - 4%+, (median 2.0%)

### **Options for awarding a cost of living increase**

10.17. The following options have been considered:

1. No increase – leave all pay rates associated with senior managers at their current values
2. Apply a percentage across the board to all pay rates associated with senior managers
3. Apply a differential pay increase that has been informed by the market. This would increase lower senior manager grades but would leave higher grades unchanged

#### **Option One – No Increase**

10.18. This option would not increase the salary values associated with the grades. Although the Council's higher salary values broadly match the market this is not the case for lower level senior manager posts and with no increase in the lower senior posts the Council may encounter problems in retaining and recruiting the talent it requires.

10.19. Although the grade values do not increase under this option there is a potential cost of up to 2.2% (£82,000 p.a. plus on-costs) if employees with headroom in their grade move to the next [higher] pay point.

#### **Option Two – across the board percentage**

10.20. Two potential models have been analysed and costed below. These have been based on 1% (Option 2a) and 2% (Option 2b) across the board on the basis that the former relates to the April 2013 NJC pay award and the latter relates to the median pay award as reported by IDSPay.co.uk

10.21. Both options would start to address the market position in the lower grades but would increase the higher grades when this appears unnecessary. If the Council was to consider a 1% increase from April 2014 then the senior managers pay scales would be as follows:



Grade	Entry Level	Developing Level	Fully Competent Level
LBB1	£179,389	£184,439	£189,489
LBB2	£149,949	£154,999	£160,049
LBB3	£126,119	£131,169	£136,219
LBB4	£104,884	£109,934	£114,984
LBB5	£85,990	£90,768	£95,545
LBB6	£72,226	£76,239	£80,252
LBB7	£58,530	£61,782	£65,033

**Option 2a**

- 10.22. A 1% increase across the board on all salary values would cost the Council an additional 1% (£39,000 p.a. plus on-costs) on top of the costs noted in option one. An overall increase of 3.2% (£121,000 plus on-costs).
- 10.23. The pay dispersion ratio between the lowest and highest paid in the council on 1 April 2013 was 1:12.8, this reduced to 1:11.4 with the introduction of the Barnet Living Wage with effect from 1 October 2013. The pay dispersion ratio for option 2a would be 1:11.5
- 10.24. If the Council was to consider a 2% increase from April 2014 then the senior managers pay scales would be as follows:

Grade	Entry Level	Developing Level	Fully Competent Level
LBB1	£181,165	£186,265	£191,365
LBB2	£151,433	£156,533	£161,633
LBB3	£127,367	£132,467	£137,567
LBB4	£105,923	£111,023	£116,123
LBB5	£86,842	£91,666	£96,491
LBB6	£72,941	£76,994	£81,046
LBB7	£59,109	£62,393	£65,677

**Option 2b**

- 10.25. A 2% increase across the board on all salary values would cost the Council an additional 2% (£77,000 p.a. plus on-costs) on top of the costs noted in option one. An overall increase of 4.2% (£160,000 plus on-costs).
- 10.26. The pay dispersion ratio between the lowest and highest paid in the council on 1 April 2013 was 1:12.8, this reduced to 1:11.4 with the introduction of the Barnet Living Wage with effect from 1 October 2013. The pay dispersion ratio for option 2b would be 1:11.6

### Option three – Differential pay increases

- 10.27. The market information collected appears to show that the higher salaries of Chief Executive and Directors are broadly in line with the market and other councils but the lower grades are below the market and other councils for Heads of Service. Therefore, the Council could consider applying a differential pay rise as follows:

Grade	Current			Proposed			
	Entry Level	Developing Level	Fully Competent Level	Entry Level	Developing Level	Fully Competent Level	% change
LBB1	£177,613	£182,613	£187,613	£177,613	£182,613	£187,613	0%
LBB2	£148,464	£153,464	£158,464	£148,464	£153,464	£158,464	0%
LBB3	£124,870	£129,870	£134,870	£124,870	£129,870	£134,870	0%
LBB4	£103,846	£108,846	£113,846	£103,846	£108,846	£113,846	0%
LBB5	£85,139	£89,869	£94,599	£85,139	£89,869	£94,599	0%
LBB6	£71,511	£75,484	£79,457	£72,226	£76,239	£80,252	1%
LBB7	£57,950	£61,170	£64,389	£59,109	£62,393	£65,677	2%

#### **Option 3**

- 10.28. This would move the Council's senior manager's pay grades closer the market data and more in line with other councils. The cost of this option would be an additional 0.7% (£28,400 p.a. plus on-costs) on top of the costs noted in option one. An overall increase of 2.8% (£105,800 plus on-costs).
- 10.29. The pay dispersion ratio between the lowest and highest paid in the council on 1 April 2013 was 1:12.8, this reduced to 1:11.4 with the introduction of the Barnet Living Wage with effect from 1 October 2013. The pay dispersion ratio for option 3 would remain at 1:11.4.

## **11. LIST OF BACKGROUND PAPERS**

- 11.1. None.