

LONDON BOROUGH OF BRENT

Meeting of the Executive 15th August 2005

Report from Director of Human Resources and Diversity

For action

Wards affected:
All

Report Title: Senior Staff – Review of Hay Grades

1.0 Summary

- 1.1 This report concerns a review of Senior Staff pay. The report is also going to General Purposes Committee on 10th August. Subject to GPC agreeing the recommended amendments to pay and conditions, this report asks the Executive to agree the virement of funds to pay for the increases in 2005/06.
- 1.2 The Employers Organisation were asked to carry out an independent piece of work for us on this which was carried out by their consultant, Adam Barker.
- 1.3 Existing job information and job evaluation scores have been re-examined and comparative data has been produced in relation to salary data within local government and the outside sector.
- 1.4 The Survey recommended that the Hay job evaluation system be retained, as this is perfectly adequate for determining the job relativities.
- 1.5 The Report found that salaries of senior staff are lower in some areas than our competitors and revised pay scales have been produced to address this.

- 1.6 The Report also looked at the different pay scale options available and recommended a broadband option, as this will best aid recruitment and retention.
- 1.7 An additional Hay 6 grade has been proposed which, subject to evaluation, would cover the posts currently graded at PO9.
- 1.8 A basis for assimilation to the new scales (covering both Hay and PO9 graded posts) has also been proposed.

2.0 Recommendations

- 2.1 Subject to General Purposes Committee on 11th August agreeing the recommended changes to pay and conditions (see Appendix A), the Executive:
 - agree a virement of £241k from balances in 2005/06;
 - note that this will generate a commitment of £335k into 2006/2007 which will need to be accommodated within next year's budget.

3.0 Detail

- 3.1 Prior to 1997, Chief Officers in Brent were paid on a range of Special Grades. These had been created some ten years previously and their origins had long since become unclear. There was no job evaluation or any other clearly identifiable system used to determine the correct Special Grade to apply to a particular chief officer and as such, the process was inequitable and open to charges of inequality.
- 3.2 The Hay job evaluation scheme was introduced in 1997/8 to replace the previous system. This provided a sound basis for determining the correct grade for the post and provided a defence against the problems outlined above. Six Hay grades were introduced, each having nine incremental points (although the sixth grade was never actually used).
- 3.3 In January 2003, a revised Hay grading system was introduced. All the posts covered by the scheme were re-examined, and a new salary structure comprising four grades each with five incremental points was introduced. One of the intentions of the new scheme was, that it would remove all additional payments made to chief officers. Following this, most chief officers were assimilated to the new scales. However to date, there are still a small number of anomalies with for example, staff still on the old Special Grades, although these are gradually being resolved. An additional grade of Hay 5 was agreed and added in November 2003, by members.

3.4 Perceived Problems with the Current System

There are a number of concerns that senior managers have about their current level of pay and the operation of the salary structure. It is believed to have:

- Become uncompetitive, as it does not reflect the wider market position.
- Not kept pace with the introduction of new statutory roles.
- Slipped from being in the upper quartile, which was one of the stated objectives when the Hay scheme was first introduced.
- Lost the differential between the Chief Executive's salary and that of the Directors and other managers.
- Has inherent difficulties and inconsistencies for managing the movement of individuals up the scale, as described in paragraph 3.5 below.

3.5 Arrangements for Progression under the Current Scheme

3.5.1 Progression up the scale within the current scheme occurs, on the anniversary of appointment/promotion to a Hay Grade. Movement up the scale relies upon the acceptable performance of the individual, with progression beyond the mid-point of the scale dependent upon superior performance. In the case of poor performance, a spinal column point and/or the pay award may be withheld, subject to the normal arrangements for handling poor performance having been observed.

3.5.2 In reality, this system is not used consistently across the council and often new employees commence with the Council on a higher scale point than the minimum of the scale and on occasion may commence above the mid point of the scale.

3.6 The Review

3.6.1 In this context the Employers Organisation were asked to review the current job evaluation scores, recommend a grading structure linked to Hay points scores and suggest a salary range based on the comparative data listed in the body of the report.

3.6.2 The report considered the trade-offs that have to occur in any salary structure between the various requirements specified by an employer. Different structures will go further toward meeting different requirements and ultimately the employer must choose its preferred option based on an assessment of priorities. For example, if transparency and tight cost control are priorities a structure containing narrow bands or spot points will be the best option. Conversely if flexibility, and the ability to reward performance are priorities a broader

banded structure will best meet these requirements. This latter approach is proposed in the new scales attached in the appendix.

- 3.6.3 The job scores have been considered in the context of similar reviews undertaken for comparable local authorities that also use the Hay scheme, and against the background of data from recent reviews, undertaken by the EO, of holders of similar senior management posts. Analysis of the job information in this context suggests that for the purposes of pay and grading the posts could be grouped into 6 Hay grade bandings, 5 for the existing Hay-graded posts and the sixth for PO9 graded posts. In order to determine the latter, the report recommended that all current PO9 posts be re-evaluated, against the Hay scheme.

3.7 The Hay System

- 3.7.1 The Report considered the Hay guide chart and profile method of job evaluation, stating that it is the most widely used in local government and the public sector. Indeed it is recommended for use when establishing relative job size of posts at this level by the JNC for Chief Officer and the JNC for Chief Executives in local government. It also has the advantage of enabling Brent Council to make meaningful pay comparisons for posts at this level with a wide range of employers in the wider economy. Consequently while there has been some criticism of the Hay scheme, the Report recommends the Council continue to use it for evaluating posts at this level.

3.8 Salary Structure

- 3.8.1 The Survey used three sources of comparative information. Firstly; the Hay Industrial and Service Sector data October 2004; secondly the EO salaries and numbers survey 1 April 2004; and thirdly a sample of advertisements for comparable posts over the previous 12 months taken from the LGC appointments website.
- 3.8.2 The Hay survey covers 412 organisations. The advantage of the Hay system is that it is always applied consistently from one organisation to the next. Consequently a job of 994 hay points at the London borough of Brent may be directly compared as equivalent in size to a job of 994 points at other organisations using the Hay scheme.
- 3.8.3 For the comparative data used to inform their recommendations the Survey looked at a national sample of non-bonus paying organisations comparing base pay only at a median market level, weighted for the London labour market.
- 3.8.4 The EO salaries and numbers survey is carried out annually and lists salaries as at April 2004. The response rate to this survey was 85%. As a larger London Borough it would be expected that Brent Council would

be at or above the upper quartile salary rather than below this level, as was shown by the analysis of this data.

- 3.8.5 A sample of advertised salaries for posts from the LGC database was also examined, and again, as a larger London borough it would be expected that the salaries at Brent would be higher than the average rather than at or below the average (as was found).
- 3.8.6 In this context the report recommended the adoption of a broad band approach, as a more flexible approach, and by using all of the specified ranges the Council has scope to address its priorities while realigning salaries with an upper quartile position in the labour market.
- 3.8.7 The Report considered and rejected the concept of establishing percentage linkages between the salaries within these ranges. This rather outdated approach to salary band design has been removed from all national agreements over recent years, primarily because it fetters the discretion of employers to accurately recognise different market forces for jobs of different size and as a consequence limits the employer's ability to target pay effectively.
- 3.8.8 These salaries are fully inclusive of all current allowances. They are intended to remunerate officers for their full range of duties including any requirement to work outside of normal office hours.
- 3.8.9 The Report concluded by saying that while these recommendations will have cost implications, they believe, from an analysis of current trends and comparative market data, that the Council should adjust the salaries for these posts in line with their recommendations. Acceptance of this report will clarify the present arrangements; improve motivation; reduce any perception of unfairness; and ensure that staff of the appropriate calibre can be both recruited to and retained in these key posts.

3.9 Conclusions

- 3.9.1 Having carefully studied the relevant comparative data, the report recommended a broadband set of pay scales related to the previous grading structure (attached as an appendix).
- 3.9.2 A number of assimilation options have been examined and it is considered that the best option is to assimilate on the basis that individuals receive an amount equal to the salary differential for their new scale (i.e. the difference between each of the increments). They would then be placed on the salary point on the new scale that is next highest to this amount. However, where the increase calculated under this process comes to a higher amount than the top of the Hay scale, the increase will be limited to this maximum point.

- 3.9.3 This approach will act as a recruitment tool for new staff and provide a level of incentive for current staff.
- 3.9.4 For current Hay-graded staff, assimilation using this proposal would cost £167,662 in the current year.
- 3.9.5 The proposals include a new grade of Hay 6, which is recommended for your adoption as a better alternative to the current PO9 scale. The PO9 scale is part of the main Council pay scales and is evaluated using the 1990 GLWC Scheme. While this is perfectly adequate for the majority of posts in the Council, the Scheme does not lend itself well to the evaluation of posts at the highest level, where the duties are often highly specialised, but supervision of staff may be limited. This places a limit on the number of points (and hence grade) that can be awarded for the evaluation. It is proposed that posts would initially be assimilated to Hay 6 (which covers broadly the same salary range) but they will be formally evaluated using the Hay Scheme as soon as possible afterwards.
- 3.9.6 The cost of moving all staff on PO9 to Hay 6 and removing their current London Weighting allowance (as this is not paid to staff on Hay grades) would be £20478.

3.10 Other Considerations

It would seem prudent to tidy up some of the other anomalies surrounding Senior Staff Pay within this Report:

- 3.10.1 The current procedures surrounding appointment to and progression within the Hay grades are complicated and the following revised procedures are recommended for your approval:

3.10.2 *New Appointments to Hay Grades*

Approval must be sought from the Chief Executive or Director of HR and Diversity before the creation of a new Hay-graded post. All new appointments will enter on the minimum of the scale. Discretion to appoint above the minimum will rest with the Chief Executive or Director of HR and Diversity, except that, in the case of the Director of HR and Diversity only, the Chief Executive can give approval, and in the case of the Chief Executive the decision will rest with the Senior Appointments Sub-Committee.

3.10.3 *Progression*

Progression through the Hay scale will be on an annual incremental basis.

3.10.4 *Accelerated Increments*

This is an issue on which further discussion is required and which may necessitate further proposals being placed before the Constitutional Monitoring Group and Full Council.

3.10.5 *Annual Leave*

Under the Council's current annual leave arrangements, Hay graded staff are entitled to a set level of 30 days per annum. Research has shown that this is not competitive with similar graded posts in other authorities. In fact annual leave in local authorities in London ranges as high as 38 days. There is an expectation that senior staff will attend evening meetings but they are not covered by flexitime arrangements. They are also contracted to a 40 hour week as opposed to 36 or 35 hours. However, they are not entitled to as much annual leave as PO graded staff. This reduction in benefit can cause problems when staff move across from PO to Hay grades. The maximum leave that it is possible for non-Hay graded staff to obtain is 32 days per annum. It is therefore proposed that annual leave for staff on Hay grades is increased to the same amount.

3.10.6 It is intended that the introduction of these changes will provide the ability to remove remaining pay anomalies in senior posts (e.g. lease car allowances, market supplements etc.)

3.10.7 It is proposed that all of the above recommendations will take effect from 1st July 2005, in line with the restructure of the Council.

4.0 Financial Implications

4.1 The current year costs of the proposals relating to assimilation to the revised Hay scales and PO9 proposals are detailed in the report. This totals £188k plus on-costs of around £53k amounting to £241k.

4.2 The full year cost in 2006/2007, including both Hay and PO9 would be £258k plus on-costs of around £77k amounting to £335k.

4.3 This is based on figures gathered at the beginning of July. There may be a small additional cost due to incremental or grade changes that have occurred since these figures were prepared, and there will also be additional cost in future years owing to changes for some individuals in incremental progression and the increased salary differentials.

4.4 It is also important to consider the cost of recruitment and particularly abortive recruitment costs, the premium required to temporarily utilise an interim senior manager and the loss of skills and experience to a service when a Hay graded employee leaves the organisation.

4.5 In the report to the Executive in July on the provisional 2004/2005 outturn and the 2005/2006 budget an estimated improvement in the outturn position of £609k was reported. £241k of this will be utilised to fund the recommendations in this report in 2005/2006 reducing balances by a corresponding amount. This will also generate a commitment of £335k into 2006/2007 which will need to be accommodated within next year's budget.

5.0 Legal Implications

- 5.1 Under section 112 of the Local Government Act 1972 officers must be appointed on such reasonable terms and conditions as the Council thinks fit. In deciding what remuneration it is appropriate to pay to staff members must take into account relevant considerations. The recommendations in this report are based on recommendations contained in a report, commissioned from independent consultants who have undertaken an investigation into comparative salaries elsewhere and other relevant issues as described in this report.
- 5.2 As the Chief Executive is the Council's most senior officer, and under the Council's Constitution no individual member can make decisions on behalf of the Council, decisions concerning the point on the scale at which any future Chief Executive is appointed will need to be made by full council when it is confirming an appointment recommended by the Senior Appointments Sub-Committee, as it is required by the mandatory standing order in the Constitution to do.
- 5.3 Should further discussions necessitate changes to the Constitution these will be put to full council when the Constitution is next revised.

6.0 Diversity Implications

- 6.1 There is no adverse impact on any group as the job evaluation systems and procedures apply fairly to all staff affected, which includes those on PO9 and Hay grades, as covered in the report.
- 6.2 The procedures and pay scales are available to be viewed on the intranet or by request from HR and Diversity.

7.0 Staffing Implications

- 7.1 This report is concerned with the pay of senior managers/chief officers.
- 7.2 There is one instance where, in applying this approach, the revised salary is lower than the present salary; it is recommended that the current total salary be protected until it catches up via the annual cost of living allowance. (Once all PO9 posts have been re-evaluated it is possible that a few posts may move to Hay 5 grade, rather than Hay 6. We will evaluate the above post immediately to see if this resolves the anomaly).

Appendices

The following salary charts are attached to the report:

Brent Council Pay Scales (officers and manual pay) – Appendix A

Hay Grades 2005/6 – Appendix B

Proposed Hay Grades 2005/6 – Appendix C

Background Papers

Report from Adam Barker - Report to the London Borough of Brent on the Pay and Grading of Their Senior Managers.

Pay scales for Hay Grades.

Assimilation breakdown for Current Hay and PO9 graded staff.

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Recommendations to General Purposes Committee

General Purposes Committee on 10th August was asked to consider the following recommendations:

- that members re-affirm their commitment to paying upper quartile salaries and adopt the new 5 point broadband scale as set out in the Appendix to this report.”
- that staff currently paid on PO9 are assimilated onto the new salary scale and no longer receive a London Weighting allowance.
- assimilation on the basis detailed in paragraphs 3.9.2 and 3.9.5.
- the procedures relating to appointment to the Hay grades, progression through the grades and accelerated increments, as detailed in paragraphs 3.10.1 to 3.10.4, subject, where relevant, to the changes to the Constitution detailed in the Legal Implications section of this report being agreed by Full Council.
- that in one instance where the proposed assimilation methodology results in a revised salary that is lower than the present salary, the postholder continue to be paid the current total salary with no increase, until the salary for the grade assimilated to catches up via the annual cost of living allowance.
- an increase in the annual leave provision for Hay graded staff from 30 days to 32 days.
- that all of the above proposals are implemented with effect from 1st July 2005 in line with the restructure of the Council.