

Report subject	Implementation of pay and reward strategy
Meeting date	11 September 2019
Status	Public Report
Executive summary	To set out the approach to implementing BCP Council's pay and reward strategy and seek approval for the resources required to deliver the new arrangements.
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> 1. Support the proposed characteristics of the new pay structure 2. Support the aspiration to have new pay and reward arrangements in place as soon as is reasonably possible, and preferably within 12 months of mobilisation 3. Support the approach to implementation subject to approval of funding by Council 4. Support a further competition under Lot 4 of the CCS Management Consultancy Framework as the process for procuring an external partner to support the implementation process 5. Delegate Authority to the Chief Executive in consultation with the Leader of the Council to award the contract for an external partner following the procurement process 6. Delegate authority to the Chief Executive in consultation with the Leader of the Council to undertake collective bargaining with recognised trade unions, and approve the final pay and reward arrangements subject to their being within with the parameters set out in this report <p>It is recommended that Cabinet RECOMMENDS TO COUNCIL:</p> <ol style="list-style-type: none"> 7. The allocation of £2.1m funding for additional

	internal capacity and external support for delivering the pay and reward strategy
Reason for recommendations	<p>To comply with the Council's obligations under the Equalities Act 2010 and ensure that pay and reward arrangements are fair and equitable for all BCP employees.</p> <p>To provide the Council with a new employee proposition that can be used to underpin recruitment and retention, and the ongoing development of the workforce.</p>
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Corporate Director	Julian Osgathorpe (Corporate Director Resources)
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Wards	Authority-wide
Classification	For Decision

Background

- On 1st April 2019, employees from four preceding authorities (Bournemouth Borough Council, Christchurch Borough Council, Borough of Poole and Dorset County Council) transferred to BCP Council under TUPE. These employees transferred on their existing terms and conditions, meaning that BCP has inherited a workforce operating under different contractual terms and pay structures.
- In planning for this situation, the BCP Shadow Authority worked with an external partner (Korn Ferry) during Phase 2 of the LGR Programme, to review existing pay structures and provide options for the future. This work covered six main areas:
 - Establishing the current position across the preceding councils
 - Undertaking benchmarking of existing pay structures against market rates
 - Understanding the options available to the Council in developing new pay & reward arrangements
 - Modelling and understanding the financial consequences of potential options
 - Understanding the steps required in order to introduce a new pay and reward offer
 - Supporting the Council in finalising its strategy for consolidating legacy pay and reward arrangements across the workforce.

3. This report summarises the outcomes from this piece of work and sets out the proposed approach and resource requirements for implementing the strategy.

Case for change

4. The review undertaken with Korn Ferry during Phase 2 highlighted several issues in relation to the definition, evaluation and remuneration of roles:
 - There are inconsistencies between the sizes of roles and their level of pay
 - There are inconsistencies in how the existing GLPC job evaluation scheme has been applied
 - The quality of job information is mixed. There are inconsistencies in how the same role is described, and for many jobs, documentation focusses on describing tasks and activities, rather than competencies or behaviours
 - There is significant variation between other contractual terms, including the arrangements for enhancements and allowances, starting and leaving jobs, leave and time off, travel and subsistence and working time
5. This presents a number of risks for the Council:
 - Equal Pay legislation means that we must ensure equal pay for equal work – TUPE provides temporary justification for different pay rates but this cannot continue indefinitely
 - The disparate sizing and evaluation of roles increases the risk of equal pay challenges – a lack of consistent and robust job sizing would limit the Council's ability to defend such a claim
 - Equal pay claims are highly resource intensive to manage, can incur significant cost, and result in significant reputational damage
 - Our historic job information does not provide an effective means for managing and developing a modern workforce
 - Maintaining groups of employees on different contractual arrangements is time-consuming and costly to administer
6. In addition, introducing new pay and reward arrangements presents several opportunities for the Council. These include:
 - Enhancing our position as an employer and being more competitive in the job market
 - Improving our ability to attract and retain the skills we need to continue delivering high-quality services alongside our emerging transformation agenda
 - Providing a platform to support further development of the Council's workforce (e.g. recruitment and retention, succession planning, career pathways, induction, organisational design, performance management)

Guiding principles

7. To help inform the Council's overall approach to pay and reward, a set of principles was developed through engagement with members, senior officers and employees. These are as follows:
- Provide financial sustainability for BCP Council, and the people and communities it serves
 - Recognise value creation in either leadership, technical or frontline roles
 - Support the achievement of BCP Council's vision, values and corporate priorities
 - Inspire and recognise individual performance to organisational success
 - Accelerate employee development and grow BCP Council's 'talent base' within the organisation
 - Underpin BCP Council becoming an employer of choice to attract and inspire a talented and diverse range of people
 - Recognise and respond to recruitment and retention challenges for critical skills.
 - Be fair, open and transparent, applied equally and consistently through empowered line management
 - As a minimum, the consolidation of contractual terms (excluding base pay) should be cost-neutral
 - The consolidation of contractual terms will not be constrained by what we currently offer – we will explore new options to include as part of a modern employment offer

Proposed pay structure

8. A number of potential pay structures were developed and tested against the above principles. The financial and non-financial implications of each model were also assessed in order to form a view on which model to recommend. Based on this assessment, the proposed new pay structure for negotiation with trade unions is as follows:
- Remain within the national 'Green Book' arrangements for local government pay – the national pay spine / spinal column points (SCPs) will continue to form the basis of the pay structure
 - Adopt spot salaries
 - Spot salaries will be based on the SCP closest to the market-rate for the role
 - The market-rate will be based on the median for Public-Sector Not-for-Profit (excluding London) organisations

- New employees requiring development can be paid at a SCP below the normal spot rate
 - Continuation of labour market supplements to manage specific recruitment & retention challenges - subject to a biannual review with presumption of non-continuation
 - The pay structure will be reassessed to check alignment with the market on a periodic basis (minimum of every 5 years)
9. The final detail of the new pay structure will be agreed during the implementation process, once roles have been evaluated and employees mapped to a role.

Financial implications – impact on salary costs

10. Based on financial modelling using a sample of roles, it is estimated that approximately 62% of employees are currently paid below the market median. The estimated cost of paying this group at their target SCP is approximately £6.8m.
11. The financial modelling also determined that approximately 38% of employees are currently paid above the market median. The estimated cost saving from reducing this group to their target SCP is approximately £4.1m. However, a number of these roles may be paid above market rate due to local and/or national market conditions, and therefore continue to receive a labour market supplement as part of the new pay arrangements.
12. The net cost of introducing the proposed new pay structure is therefore estimated to be in the region of **£2.7m**. However, this figure is inclusive of the 2019/20 inflationary increase for which a provision of **£2.9m** (inclusive of on costs) has already been made within the MTFP. The proposals are therefore broadly cost neutral.
13. It should also be noted that financial implications have been modelled using a sample of roles from a diagonal slice across the preceding councils – all figures should therefore be considered as indicative only at this stage. Greater assurance on costs will come during the implementation process when all roles have been evaluated.

Financial implications – resources to deliver

14. Implementing new pay and reward arrangements will be a significant undertaking for the Council. A detailed assessment of the options for implementation has been undertaken to consider how different models will affect time, cost and quality.
15. The proposal is to commission an experienced third-party to support the Council with this work on the basis that it will:

- Allow us to move at greater pace and reduce our exposure to equal pay challenges
 - Limit the impact on the organisation and its employees to a shorter period of time
 - Ensure that evaluation outcomes are tightly controlled and independently verified
 - Carry significantly lower levels of risk than alternative models of delivery
16. Based on this approach, the estimated resources required to deliver the new pay and reward arrangements will necessitate a one-off investment of approximately **£2.1m**. This covers both the cost of external support and additional internal capacity needed to deliver the overall project.

Implementation approach

17. The implementation of the strategy will involve two main areas of work:
- **Workstream 1: Establishing a new pay structure** (externally supported; covers base pay only)
 - **Workstream 2: Integrating other terms & conditions** (internally resourced; covers pay enhancements & allowances, starting/leaving jobs, leave/time off, travel & subsistence, working time)
18. Both workstreams will feed into a single process of negotiation (collective bargaining) with recognised trade unions, with the aim of agreeing a final package for all employees. Subject to agreement, the Council and Trade Unions will then sign a collective agreement and the new arrangements will take effect.

Procurement options

19. The value of the contract for an external HR partner will exceed EU tendering thresholds, and work has therefore been undertaken to assess procurement options. This has included an assessment of framework agreements, and market research to assess the capability of suppliers on each framework to meet the Council's requirements.
20. Based on this research, the proposed approach is to run a further competition under Lot 4 of the Crown Commercial Service (CCS) Management Consultancy Framework, on the basis that it provides the fastest route to market whilst also ensuring legal compliance and value for money for the Council.
21. It should be noted that competition in this area of the market appears to be relatively limited, and there may only be a few suppliers capable of meeting the Council's requirements. Whilst the CCS Management Consultancy Framework provides access to a broad range of consultancy firms, the number of actual bids is expected to be relatively low.

Conclusion

22. The Council needs to address the inconsistencies in job-sizing and pay arrangements to mitigate the risk of equal pay challenges. This will require a sizeable level of investment to achieve, but in doing so, the Council also has an opportunity to improve its position in the job market and introduce a modern, and more integrated platform for developing its workforce.
23. This will be a significant undertaking for the Council – it will be disruptive and highly emotive for many employees. It is therefore highly desirable to introduce the new pay and reward arrangements as quickly as is reasonably possible in order to minimise the Council's exposure to risk, and the impact on employees.

Summary of financial implications

24. The Council's Medium-Term Financial Plan will continue to be developed on the basis that the final adopted model will be cost neutral to the Council and this principle should continue to be applied in the model's development.
25. It is proposed to fund the £2.1m implementation costs from the BCP Programme Resources Pay and Reward Strategy Earmarked Transition and Transformation Reserve.

Summary of legal implications

26. The implementation of new pay and reward arrangements will help the Council meet its obligations under the Equalities Act 2010 by ensuring equal pay for equal work. As a consequence of the LGR process, the Council has a statutory obligation to address the issues identified relating to equal pay.

Summary of human resources implications

27. The implementation of new pay and reward arrangements will impact all BCP Council employees. Effective engagement and a robust process of collective bargaining with recognised trade unions will therefore be essential throughout this process.

Summary of environmental impact

28. None specifically related to this report.

Summary of public health implications

29. None specifically related to this report.

Summary of equality implications

30. An initial Equalities Impact and Needs Assessment (EINA) has been undertaken to consider the potential impacts on each of the nine protected characteristics and determine when and how a full assessment will be undertaken.

- Workstream 1 (pay structure) will undertake a full EINA following the evaluation of all roles and mapping of employees to those roles – this represents the point in the process where proposals are sufficiently developed to enable a detailed assessment of the equality impacts
- Workstream 2 (other contractual terms) will undertake a full EINA on each individual contractual term where a change is being proposed – this will take place throughout the process of collective bargaining with Trade Unions and will be central to the finalisation of proposals

Summary of risk assessment

31. This will be a complex piece of work and therefore carries a relatively high-level of risk in terms of being delivered on time and on budget. The implementation approach and resource requirements set out in this report are designed to mitigate these risks as far as is reasonably possible. Robust project management and governance will also be applied throughout the lifecycle of the project.
32. The Council will work closely with trade unions to develop its new pay and reward arrangements. However, a majority 'no' vote following a trade union ballot may result in failure of the collective bargaining process, in which case the Council will need to consider the option of dismissal and re-engagement on new terms for all employees.

Background papers

- Implementation options & cost estimates (Excel spreadsheet)
- Procurement options appraisal (Excel spreadsheet)

Appendices

There are no appendices to this report.