

# GREATER LONDON AUTHORITY

## REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2344

### Title: Pay and Grading Review

#### Executive Summary:

A range of concerns have emerged over recent years about the Greater London Authority's (GLA) current pay and grading structure which is 15 years old. Much further data collection and analysis is required before we can understand whether there is a case for a pay and grading review, either in full or in part. This form approves the funding to commission this piece of data collection and analysis work.

#### Decision:

That the Assistant Director of Human Resources and Organisational Development approves:

1. Expenditure of £18,275 to commission QGC to carry out data collection and analysis to identify what the pay and grading requirements should be at the GLA. This will include the following:
  - A full data gathering exercise to test the current pay and grading approach;
  - A review of the current pay strategy to identify whether the current pay and grading approach fits with the GLA's objectives and aspiration to be an exemplary employer, recognising that pay is one element of the total package offered to staff; and
  - The development of options for securing specialist support to undertake the review if it is concluded that a review is appropriate.
2. An exemption from the requirement in the Contracts and Funding Code to procure competitively and to appoint QGC without a competitive process (i.e. a single source exemption). This is based on QGC being pay and grading specialists. We have consulted with the GLA family and QGC have provided consultancy support to TFL and have extensive experience in reviewing pay and grading structures in public and private sector organisations and as a result hold essential comparator data. Therefore, it is proposed that an exemption from the Contracts and Funding Code is applied allowing this to be commissioned using a single source procurement process.

#### AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

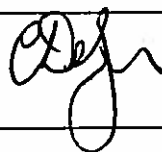
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Charmaine De Souza

Position: Assistant Director HR&OD

Signature:



Date:

15 May 2019

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 Prior to the inception of the Greater London Authority (GLA) the GLA Transition Team worked with Hay Group (now Korn Ferry), to develop a pay strategy and a pay and grading system for the GLA.
- 1.2 The main objectives of the GLA's pay strategy were to:
- support an adaptive and flexible workforce reflecting the dynamic nature of the GLA's activities;
  - optimise the harmonisation of pay and service conditions arrangements across the GLA where appropriate (in excess of 120 staff transferred into the GLA under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE));
  - provide a pay review system for the GLA that would reflect the changes in the costs of living, individual performance/contribution, and employment market influences where appropriate;
  - provide an employment package appropriately recognising work life balance and the scope for choices in flexible benefits; and
  - pay salaries to be broadly in line with upper quartile for London public sector employers.
- 1.3 The first pay and grading system was a 'spot salary' system with no increments and therefore no experience/time-served related progression. Salary reviews were restricted to cost of living increases.
- 1.4 In 2005 a new pay scheme was introduced, offering the opportunity for progression within pay bands to recognise the acquisition of skills, competencies and experience as staff developed professionally. The core elements of the GLA's pay strategy remained the same, including the ambition to keep salaries broadly in line with the upper quartile for London public sector employers.
- 1.5 The 2005 pay and grading scheme is the one we still operate today – a system consisting of 15 grades plus spot salaries for Apprentices (London's Living Wage), Executive Directors and the Chief Officer. Some of the staff appointed by the Mayor under s67(1)(a) and (b) of the GLA Act 1999 (as amended) are also paid spot salaries.
- 1.6 There have been partial reviews of pay since 2005, including a mini review of the pay system in 2008 when salaries were benchmarked by Korn Ferry against the upper quartile for Public and Not for Profit (PNfP) sector and the median for the Industrial and Services (I&S) sector. The PNfP sector included a range of London local authorities alongside broader public-sector organisations e.g. Housing Associations, and the I&S sector included all organisations (public and private) but excluded the finance sector. At this point GLA salaries were broadly where the GLA expected them to be.
- 1.7 However, there has not been a broader examination of the GLA's pay and grading system since, to determine if it remains fit for purpose. While the GLA remains a very attractive place to work with highly engaged staff, there are a number of recruitment and retention concerns linked to our current pay and grading system which now need further analysis.

#### *Areas of concern*

- 1.8 Recruitment challenges:
- (a) We appear to be having much more difficulty attracting candidates to our vacancies than we have in the past. Anecdotal intelligence indicates that people sometimes do not apply because of the salary levels offered.

- (b) Although we have not yet undertaken a structured analysis of all recruitment activity, there are some areas where our recruitment challenges are particularly acute and we struggle to recruit to roles:
- Data science – data and analysis skills are crucial if we are to deliver the level of sophisticated analysis and modelling necessary to support policy development and decision making. Salary levels for such roles are now higher in the market, driven in part by the huge numbers of civil service jobs created in this field at higher salaries than we offer over the last couple of years.
  - Digital – we have seen a significant increase in our digital presence and are now planning to take steps to transform our overall approach to digital working. This has also been a very buoyant employment market with lots of competition where demand for digital specialists with the right skill sets has been greater than the supply. We have not always been able to compete effectively for candidates within our pay and grading system;
  - Housing – being able to compete for quality housing staff against housing developers, housing associations, Homes for England, and others has been a real challenge for the GLA. In 2018 the GLA commissioned an independent report to benchmark salary levels for GLA staff working in Housing and Land with the external market place. The consultants looked at comparator salaries in both public and private sector organisations and found GLA salaries in some cases to be considerably behind the market; and
  - Planning – attracting and retaining appropriately qualified planning professionals, across all areas of planning expertise, remains difficult. Evidence suggests that for some roles, much higher salaries are being paid in London boroughs to which we lose staff. The introduction of flexible career grades which allow staff to progress on a ‘fast track’ as long as as they can demonstrate they have developed the required competencies has had only limited success.
- (c) Intelligence suggests that we are now making many more appointments above the bottom of the pay band, despite this being an important aspect of our current policy. This is done for a variety of reasons, e.g. to match an existing salary, to ensure a reasonable level of uplift, and more typically now because the salary at the bottom of the scale is simply uncompetitive. This means of course that individuals reach the top of the scale much sooner than would normally be the case, while some come in straight at the top – with the retention issues that then presents.

## 1.9 Retention challenges:

- (a) We have undertaken more than 50 re-evaluations of roles in the last 18 months. Re-evaluations are done when a job is deemed to have grown in scope and the salary is considered no longer to reflect the demands of the role. Staff have a contractual right to request a re-evaluation of their post. There is a robust approach in place for considering potential re-grading. However, virtually all re-evaluations result in a higher grade and therefore higher salary. A significant proportion has resulted in re-evaluation by two grades. There is a suggestion that what looks like a disproportionately high number of re-grades is driven in part by some staff being motivated to ask for a re-grade on salary grounds rather than because of an increase in the scope of their role. But at the same time there are many job descriptions which have not been reviewed for years and some posts have changed significantly with no formal review to reflect this.
- (b) We also have a relatively high number of staff receiving honoraria. Honoraria are increasingly being used as retention mechanisms and in some instances have been in place for a considerable time.
- (c) This broadly reactive approach to regrading means many jobs are evaluated in isolation, leading potentially to issues of perceived inconsistency and even unfairness. There are concerns among staff that new and re-graded posts are graded higher than in the past,

meaning that longer-established posts suffer in comparison. There is no evidence for this, but the perception needs to be investigated.

1.10 Recent changes within our pay scale:

- (a) The current GLA pay scale consists of 15 grades with five incremental points in each grade. There is no automatic progression from one grade to the next except in a couple of areas where there is a career grade scheme e.g. Planning and Financial Services.
- (b) When originally designed there was a 2.5% gap between increments for grades 1 – 8 inclusive and a 2% step for grades 9 – 15. Some of the differentials between grades have been eroded over time as a result of recent pay awards being tapered with higher percentage increases to the lower grades.
- (c) There are also a number of grades where the top of one scale is now higher than the base point of the grade above, much of which is a direct result of tapered increases in recent years.
- (d) As a result of the length of service of many staff, there are now a lot of people at the top of the scale, some of whom have been at the top of the scale for many years. UNISON have highlighted this issue in their recent pay claims and made a number of suggestions around additional recognition for staff at the top of the pay spine. We need to understand better the impact this is having on our ability to attract and retain the skills we need.

1.11 The Chief Officer consulted the Mayor of London and the London Assembly via the GLA Oversight Committee on 19 March 2019, consulting them on her proposals to address these concerns. The London Assembly supported the Chief Officer's approach to continue with this work and scope the next phase of delivery.

1.12 The GLA would like to commission the consultancy service of QCG. An exemption from the Contracts and Funding code is sought to contract with them without procuring competitively. The commissioning of QCG will provide the GLA with options that identify whether there is a case for a full review to be commissioned for the GLA's current pay and grading approach. Recognising that this work requires specialist consultancy, there is currently none on the framework who can provide this specialist support.

1.13 Therefore, it is proposed that an exemption from the Contracts and Funding Code is applied allowing this to be commissioned using a single source procurement process

## 2. Objectives and expected outcomes

2.1 New funding of £1.5m has been put aside in the GLA 2019-20 budget for the delivery of the new Chief Officer's early priorities related to key workforce issues, the Chief Officer's Transformation Programme. The Chief Officer Transformation Programme's has three workstreams:

1. *Talent attraction, talent management, diversity and inclusion* with a focus on ensuring we recruit and support the career progression of a diverse workforce. We will also re-fresh our values and identity as a body of staff, as well as take a look at our use of fixed term roles.
2. *New ways of working* with a focus on a re-think of the way we all work, including a 'stock take' of our IT strategy and our approach to digital working, a root and branch review of our HR policies and a review of how we maximise the use of the accommodation we have.
3. *Shared services* with a focus on assessing the opportunities we have for closer collaboration across our HR, FM and TG functions with others in the GLA Group.

2.2 The services required by QCG to look at issues around pay and grading falls under the first workstream of the Transformation Programme.

- 2.3 The first stage is to commission data gathering and analysis from QGC to identify if there is a case to be made to justify a review of the pay and grading structure. The scope of work consists of:
- (a) A full data gathering exercise to source detailed data covering the following:
- turnover statistics;
  - recruitment data – number of hires, number of positions advertised more than once;
  - distribution of grades across the organisation by directorate/unit;
  - number of evaluations/re-evaluations and reasons;
  - number and frequency of use of market forces supplements and honoraria to adjust salary levels;
  - number and reasons for appointments being made above the bottom of the grade;
  - review of the GLA pay strategy vs the current climate; and
  - current pay review mechanisms.
- (b) A review of the current pay strategy to ensure it still fits with the GLA's objectives and aspiration to be an exemplary employer, recognising that pay is one element of the total package offered to staff.
- (c) The development of options for securing specialist support to undertake the review if we conclude that a review is appropriate. Should a review be thought necessary, a further decision will be required on how this will be progressed.
- 2.3 Once the options have been identified, this work will be presented to the Mayor and London Assembly with options that determine whether the GLA conducts a pay and grading review.

### **3. Equality comments**

- 3.1 The Equality Act 2010 provides that in exercising its functions, the Mayor and the GLA (as a public authority) shall have due regard to the need to a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under the Act; b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and, c) foster good relations between people who share a relevant protected characteristic and those who do not. Any reviews that take place as a result of this work will benefit persons who share a relevant protected characteristic and persons who do not share it.
- 3.2 It is important that the GLA pay and grading structure is fair, open and transparent. The review will identify where incremental changes to the structure could impact on different employee groups. Pay dispersion will be considered in the analysis and a view will be given on the suitability of the current approach to conducting equal pay and ethnicity pay analysis at GLA. Impact assessments will be carried out to ensure that this work does not negatively impact against any groups with protected characteristics.

### **4 Other considerations**

#### *a) Risks and Issues*

- 4.1. Timescales are tight to secure - This will be factored into the commissioning of QCG and they will be advised that this project is time critical as it is part of the Transformation Programme.
- 4.2. Recommendations of the QCG are unfeasible (prohibitively expensive or too resource intensive to deliver internally) - QCG will be managed by the Project Manager; Transformation Programme and the work will be managed by a steering group to ensure that recommendations are feasible.

*b) links to Mayoral strategies and priorities*

4.3. This work supports the Mayor in delivering his vision of a 'fair and equal city'. The Mayor has led by example in publishing this data and is committed, not only to recognise pay inequality and seek to address it at the GLA and its functional bodies, but to encourage businesses in the capital to follow this lead.

*c) consultations and impact assessments, including data protection (as per the GLA's requirements under GDPR), health and safeguarding where relevant.*

4.4. Data protection and new GDPR guidelines will be complied with by the provider when sharing data. This work forms part of the Transformation Programme which is a priority for the Chief Officer. Full impact assessments will be carried out as part of any review commissioned following the recommendations of this report.

## **5 Financial comments**

5.1. Approval is being sought for expenditure up £18,275 to commission QGC to carry out data collection and analysis to review the case for a GLA pay and grading review and to ensure that the GLA fulfils its objective to be an exemplary employer. The expenditure will be incurred during the 2019-20 financial year and will be met from the Chief Officer's Transformation Fund.

## **6 Legal comments**

6.1 The foregoing sections of this report indicate that in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- Pay due regard to the principle that there should be equality of opportunity for all people;
- Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- Consult with appropriate bodies.

6.2 In taking the decisions requested, the assistant director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the assistant director should have particular regard to section 3 (above) of this report.

6.3 Section 9.1 of the Contracts and Funding Code (the 'Code') requires the GLA to seek a call-off from a suitable framework, where possible, or if not, undertake a competitive tendering process by seeking three or more written quotes from different service providers. However, the assistant director may approve an exemption from this requirement under section 10 of the Code upon certain specified grounds. The officers have set out at paragraph 1.13 of this report the reasons why they believe this meets the exemption. On this basis the assistant director may approve the proposed exemption if satisfied with the content of this report.

6.4 Officers must ensure that appropriate contract documentation is put in place with and executed by the GLA and GQC before the commencement of the required services.

**7 Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Enter into contract	w/c 20 May 2019
Delivery Start Date	3 June 2019
Delivery End Date	5 July 2019 (estimated)

**Appendices and supporting papers:**

None.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

**Part 1 - Deferral**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 - Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form - NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Michelle Barrett has drafted this report in accordance with GLA procedures and confirms the following:

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 13 May 2019.

✓

**ASSISTANT DIRECTOR OF FINANCE AND GOVERNANCE:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**



**Date**

15.05.19