

Committee(s): Corporate Services Committee	Dated: 12 July 2023
Subject: Reward Refresh	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	8: We have access to the skills and talent we need.
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	
Report of: Emma Moore, Chief Operating Officer	For Decision
Report author: Fay Johnstone, Assistant Director, Reward and HR Projects	

Summary

Korn Ferry have been commissioned to undertake a review of the City of London Corporation's current pay and grading arrangements and underpinning process. Ultimately, with Korn Ferry's assistance and development, the City of London Corporation will introduce a new reward strategy and pay and grading structure around Autumn 2024 for all employees currently employed on Grades A to J and the Senior Management Group. This will introduce job families and a new job evaluation scheme using the Korn Ferry Hay job evaluation method.

This report requests delegation to the Town Clerk of decision making on the operational aspects of the reward refresh project, with the Chief Operating Officer reporting regularly to the Corporate Services Committee on progress.

Recommendations

Corporate Services Committee is asked to: -

- Delegate to the Town Clerk operational decision making on the Reward Refresh project, with the project senior reporting officer (Chief Operating Officer) reporting progress on the project on a regular basis, as and when key milestones are reached.
- To receive a verbal report of the informal Korn Ferry facilitated CSC members workshop which took place a few days prior to CSC to discuss the Design Principles of the entire project.

Main Report

Background

1. Competition for talent is fierce in our post-pandemic world. Business leaders are realising that success in the 21st century means building the best teams most effectively. Research demonstrates that many professionals in the services sector – the sector in which the City of London Corporation mostly operates, (albeit not entirely) – are considering leaving their jobs in search of roles that offer a better work-life balance and that are more aligned with their values. Employees prioritise employers who offer greater freedom over their lives, including better reward offers. Whilst pay is still a high reason for leaving an employer, other reasons include a lack of work-life balance and a lack of career advancement opportunities. This subject is covered in more depth in the People Strategy paper.
2. Employees now expect a more personalised employee experience that meets their needs at every stage of their careers. This includes more transparency and equity around organisational reward designs, which can lead to difficulties in recruitment and retention. Our internal HR metrics demonstrate that the City of London Corporation is concerned with this “war for talent”.
3. Furthermore, the reward structures and strategies – including the Corporation designed job evaluation system – has not been reviewed for many years. This can lead to inequity and/or inequality unintentionally embedded within the systems.
4. It is for these reasons that Korn Ferry were commissioned following a tender process to advise the City of London Corporation on a project to refresh the reward strategy and structure of the Corporation.
5. The project will be a c.18-month review of the following:
 - To engage with departments and Institutions to understand all jobs across the Corporation.
 - To design and agree job family architecture and a job family framework.
 - To compile a list of c. 500 role profiles aligned to the job family framework, produce the role profiles and job evaluate using the Korn Ferry Hay job evaluation methodology.
 - To map current jobs to the new role profiles.
 - To review the role profiles and map with the Departments and Institutions.
 - To review the evaluations and job size outcomes with the Departments and Institutions.
6. All these activities will involve engagement and/or consultation with the Corporate Services Committee, Executive Leadership Board, trade unions and all colleagues.
7. Once these activities are undertaken, the total reward principles and strategy will be designed and agreed. A new pay and grading structure will be developed and agreed, including the external market benchmarking of all role

profiles to ensure our pay and grading structure is competitive across the industries and sectors in which we recruit.

8. An internal project board will be set up to monitor the development of this project. Key members of the project board will be delegates from Operations, Chamberlain, Comptroller, HR, Internal Comms, the internal project team, and Korn Ferry.

The first milestone – the project design principles

9. By agreement with the Chair and Deputy Chair of the Corporate Services Committee, an informal workshop was set up with the Corporate Services Committee, facilitated by Korn Ferry. Other workshops will also be set up to gain feedback from Officers, including the Executive Leadership Board
10. These workshops will focus on defining the future design frameworks for the job family infrastructure and reward mechanisms and will underpin decision making moving through the programme. Design principles are a set of simple and specific characteristics defining how an organisation should operate, look, and feel in the future. They are best articulated as high-level input attributes that must be apparent in the future design of how an organisation works, allowing it to support strategic priorities and ensure the new organisation works effectively.

Next Steps

11. The Corporate Services Committee will receive an update on the Reward Refresh project work at their next meeting.

Trade Union Engagement

12. Implementing a new Reward Strategy and Pay and Grading Structure will require detailed negotiations with our Trade Unions in relation to staff graded A to G. The current arrangements are governed by a collective agreement.
13. For staff graded H-SMG, there are two appointed staff representatives rather than Trade Union representation. These would also need to be consulted but, given the scope of changes envisaged, officers will need to consider the best way for this to be done with appropriate depth.
14. Overall, it is estimated that less than 1,200 of our staff are represented by the two recognised Trade Unions and therefore the majority are not. Accordingly, a cross-organisation exercise will be designed to engage with all colleagues on the proposed changes to ensure staff are informed and involved.
15. A communication and engagement programme will be designed to connect with these three groups and the HR team are in conversation with the Executive Director of Communications regarding creating a full communication and engagement plan.

Corporate & Strategic Implications

16. Strategic implications – It is essential that the Corporation adopts a new reward strategy and pay and grading structure. Failure to do so will put the delivery of the Corporation’s strategic objectives at risk given the notable recruitment and retention challenges we currently have, and the risk of equal pay concerns.
17. Financial implications – there will need to be some provision regarding the overall size of the “pot” to be provided in pay and benefits once recyclables are considered. As the project proceeds, the financial implications will become clearer.
18. Resource implications – Additional (funded, fixed term) posts have been created in the HR service to support the implementation of a new reward system. In-house support from the programme management office, Finance and Internal Communications will also be required, which is yet to be determined. It will be essential to continue to have ongoing support from Korn Ferry to implement the recommendations.
19. Governance implications – Officers will regularly report on progress to the Corporate Services Committee.
20. Legal implications – The Chief People Officer and Chief Operating Officer will work closely with the Comptroller & City Solicitor as detailed proposals are brought forward to ensure that the Corporation continues to meet its employment law duties, particularly those in relation to equalities.
21. Risk implications – There are significant risks to be managed. The programme plan will include a comprehensive risk register. However, we are currently likely carrying equal pay risk which is difficult to fully quantify without conducting a full review of all roles and grading. This is in common with many organisations who have used a non-industry benchmarked and maintained pay and grading system. This risk will be mitigated by implementing a new job evaluation system.
22. Equalities implications – A comprehensive Equality Assessment will be undertaken as proposals are developed. All decision makers have an obligation to pay due regard to an Equality Assessment before approving any recommendation to introduce new reward arrangements within the Corporation. Any organisational changes proposals must also consider any impacts on under-represented groups.
23. Climate implications – None.
24. Security implications – None.

Conclusion

25. The Corporation needs to reform its approach to reward, as well as our brand and employment offer, to improve our market positioning and address historic anomalies in our pay and terms. The proposals provide a clear basis to address the pay and recruitment and retention issues facing the organisation, as well as any equalities issues.

Appendices

- none

Background Papers

The exempt Reward Refresh Update Reports to Corporate Services Committee 19 April 2023 and 31 May 2023.

Fay Johnstone

Assistant Director: Reward and HR Projects

T: +44 7513 703255

E: fay.johnstone@cityoflondon.gov.uk