

Committee: Establishment Committee	Date: 9 June 2016
Subject: Refreshing the Pay and Reward Strategy for the City of London Corporation	Public
Report of: Director of Human Resources	For Decision
Report author: Janet Fortune, Human Resources Department	

Summary

This report follows the report in April on refreshing pay and reward in City of London. It sets out a proposal for a short term measure to increase delegation of awarding a Market Forces Supplement to the Market Forces Board, which is an officer panel.

Market Forces Supplements are applied to posts where the job is graded by internal relativities but has a higher market value which can be independently verified. Honoraria, on the other hand, are applied to an individual on the basis of work done above and beyond their objectives.

Although this report considers similar delegation of Honoraria payments it does not recommend any changes.

Recommendations

The Committee is recommended to agree that:

- a) In order to retain the robust system all supplements can only be awarded on the basis of independently verified market data, using valid comparators.
- b) Submissions have to include what has been done to make the job and the department more attractive to candidates or to retain existing staff.
- c) Submissions must also include what terms and conditions have been considered to widen the field of candidates including increasing diversity.
- d) Market Forces Supplements can be awarded by the Market Forces Board up to:
 - i. £10,000 for posts grade F and below
 - ii. £15,000 for Grades G & H
 - iii. £20,000 for Grades I & J
- e) All supplements awarded are summarised and reported to Establishment Committee four times a year.
- f) Payment of honoraria remains unchanged

Main Report

Background

1. The Committee considered a report on 19 April on refreshing the Pay and Reward Strategy for the City of London. One of the short term measures in that report was for the Committee to consider giving more delegated authority to Officers in respect of MFS and Honoraria.
2. The Committee agreed this in principle and asked for a report back to this Committee meeting with a proposal for revising the system as a short term measure.

Current Position

3. The current delegation is for Honoraria or Market Forces Supplements of £5,000 or less for Grade A to H to be awarded by the Director of HR in consultation with the Market Forces Panel. All applications for Grade I and J and Chief Officers come to this Committee and any submission for an award over £5,000 for any grade has to be agreed by this Committee. These levels were set some time ago and are generally felt to be too low for today's markets and salaries.

Market Forces Supplements

4. Whilst the general principle of increasing these limits was agreed by the Committee in April, there was some discussion on whether a percentage differentiation for Market Forces Supplements would be more appropriate than a monetary figure, which would then keep pace with inflation. Members also discussed whether there should be two levels of approval by officers, to a certain level approved by the Market Forces Board, and a second higher level that could be agreed under delegated authority by the Town Clerk, in consultation with the Chairman and Deputy Chairman of Establishment Committee.
5. It is important that any revised system does not reduce the rigorous test for the application of a market forces supplement, but at the same time does not unnecessarily increase the bureaucracy or complexity of the process.
6. A percentage of salary, as a basis for distinguishing between those approved by Committee or by Officers has been investigated, but it does present some issues. If say 15% is applied to all the grades it equates to less than £5,000 for all grades up to Grade E. In effect more submissions may be made to Establishment Committee than at present.
7. It would seem to make sense therefore that for Grades below F that a monetary limit is more appropriate. The proposal would be for this to be £10,000, so any submissions for a supplement less than £10,000 would be agreed at the point of submission by the Market Forces Panel, and then reported to Establishment Committee with a summary of the rationale.

8. The £10,000 limit would be increased each year by the cost of living increase so as to keep pace with inflation.
9. There are 4 grades above Grade F, a limit of 20% for the top of the each grade would equate to:
 - a. Grade G - £54,470: £10,894
 - b. Grade H - £63,110: £12,622
 - c. Grade I - £73,150: £14,630
 - d. Grade J - £87,370: £17,474
10. For the sake of simplicity it is proposed that these percentages are grouped rounded up to the nearest £5,000 and therefore it is proposed that Grades G & H have a limit of £15,000 and I & J a limit of £20,000 at which can be awarded by the Officer panel and then reported to Establishment Committee. All supplements for those in the Senior Management Group would still come to Establishment Committee for approval.
11. For simplicity, I have not included in the recommendations a second threshold for consideration under delegated authority from the Committee by the Town Clerk. If there is a requirement to approve a larger MFS in a short timescale, this can be approved by the Town Clerk, in consultation with the Chairman and Deputy Chairman, in line with the existing urgency procedures.

Honoraria

12. There are two ways that an individual can be awarded additional monies as a one off payment; Honoraria and Contribution Pay. Honoraria are distinct from Contribution Pay in that Contribution Pay is awarded for performance which contributes to the organisation. Individual objectives are linked to departmental and corporate objectives and together provide organisational performance. Honoraria are awarded where a significant contribution has been made to the Department specifically and are generally not an individual objective but for something achieved over and above the objectives.
13. Someone works longer hours, or takes on a role outside of their remit for example. Contribution pay is therefore Corporately funded and controlled by a forced distribution curve, whereas honoraria is funded from local risk and often rewards individuals where a saving has been made because of their contribution.
14. The same rules apply currently to honoraria as Market Forces Supplements, so up to £5,000 can be awarded by the officer panel, and over that limit or for Grade I and above the submission comes to Establishment Committee.
15. It is proposed that there are no changes to the delegations from Committee to officers for honoraria. As there is currently a low level of honoraria granted, the officer panel will consider whether these could be delegated directly to chief offices (with certain conditions).

Proposals

16. In order to maintain a robust system of the awarding of market forces supplements it is proposed that:

- a) All supplements can only be awarded on the basis of independently verified market data, using valid comparators.
- b) Submissions have to include what has been done to make the job and the department more attractive to candidates or to retain existing staff.
- c) Submissions must also include what terms and conditions have been considered to widen the field of candidates including increasing diversity.
- d) Market Forces Supplements can be awarded by the officer panel up to:
 - i. £10,000 for posts grade F and below
 - ii. £15,000 for Grades G & H
 - iii. £20,000 for Grades I & J
- e) All supplements awarded are summarised and reported to Establishment Committee four times a year.
- f) It is further proposed that payment of honoraria remains unchanged.

Corporate & Strategic Implications

17. The scheme of delegations to Chief Officers would have to be amended if this proposal was agreed.

Janet Fortune

Assistant Director of HR

T: 020 7332 1245

E: janet.fortune@cityoflondon.gov.uk