



Aspire

Strategic HR & OD Business Partner Programme

Approaches to reward and recognition to facilitate an effective commissioning Local Authority.

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1.0 PURPOSE / OBJECTIVE

The purpose of this report is to research and outline a model approach to reward and recognition that facilitates an effective commissioning Local Authority.

The report;

Outlines the context for the need for change:-

- Identify the current position within organisations in relation to being fit for purpose and being able to move to become a commissioning authority
- Identify any barriers and constraints to becoming an effective commissioning authority
- Identify best practice reward solutions and assess whether they meet the needs of Local Authorities
- Make recommendations and provide questions that will assist local authorities in their transitional journey to becoming effective commissioning organisation.

2.0 INTRODUCTION / BACKGROUND

2.1 The future of Local Government and the case for change

As the economy continues to show signs of improving and business confidence grows the 'battle for talent' is an issue that continues to challenge organisations across the private and public sectors. In fact, as competition to attract talent increases, how organisations engage with potential job seekers from the very start of the process becomes increasingly important. This is particularly relevant to the public sector given potential misconceptions from those with a private sector background around predisposition towards internal candidates and necessity for sector specific experience.

What can public sector organisations do to become a more attractive employer to a wider range of people? As it becomes tougher to market public sector jobs on the basis of pay, benefits and job security, one route is for public sector organisations to put more emphasis on their values. Building a recruitment strategy around the intrinsic rewards of public service and the ability of employees to positively impact not only the organisation they work for but also the wider community, speaks to those whose values reflect those of the sector.

More emphasis on values during the recruitment process not only helps to attract the right people, but also ensures those that join the organisation are committed to achieving the goals of the organisation and feel engaged. This can positively impact not only on staff retention, but also on productivity and goal attainment.

While this 'brand marketing' approach is not one often encountered within the public sector, an organisation's reputation and the values and achievements that are associated with it will be crucial to attracting and retaining the best people. Intelligent investment in promoting the organisation based on its values more than repays itself if it means getting the right staff in post.

There are a number of drivers that are influencing the change in how local and central government is operating. Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

"Commissioning is the approach to redesigning services; it offers a means of joining up resources to focus on improving outcomes for service users in the most efficient and effective way now and into the future".

The Local Government Association recognise that commissioning is increasingly a central part of the approach to redesigning services because it offers a means of joining up resources to focus on improving outcomes for citizens in the most efficient and effective way both now and into the future.

This change in delivery has resulted in a current skills gap, in order for this transition to be effective this report will review what the barriers are to current pay and reward agreements and how these can be changed to attract new or existing talent into the organisation to enable commissioning to progress and succeed.

www.localgovernmentassociation/PublicServiceReform/Commissioning_16_February_2015).

2.2 The Need for Change - WHY

Public sector organisations will need to draw greater value for money from their pay systems as financial cuts bite – which could include reducing costs, increasing flexibility, improving the impact pay has on motivation and performance, or all these things together.

Job evaluation schemes and the pay structure are considered to restrict flexibility when attracting and retaining the skill set to be able to compete with the private sector.

Whilst austerity forces the need for change, it is important to maintain the drive of performance and decision making to ensure that the passion remains in providing the best service for customers in the most efficient way. Using Simon Sinek's Golden Circle model this can be illustrated further. Simon Sinek describes how it is that great leaders inspire action, why some people are able to achieve things, when others are not. He explains the "Golden Circle", is a new way of looking at how people approach what they do.

Sinek explains how some companies, like Apple, year after year, always lead innovation and: -

- asks why some leaders are able to inspire where others aren't;
- explores the way inspired organisations and people all think, act, and communicate from the inside out. People don't buy what you do; they buy why you do it;
- explains that very few people or organisations know WHY they do something, and;
- that strong leadership and a passion for why an organisation is doing something rather than 'what' they do is the key to success.

In our context, the 'why' often remains that people working in Local Government are passionate about the services they provide; these individuals continue to remain committed to a career in Local Government rather than the private sector.

2.3 The Direction of Local Government

The direction of travel facing Local Government is being driven by wider forces such as the changes in funding and government policy but what is not yet well defined is how individual organisations and the sector as a whole achieve this transition; whether the skills required to make this happen exist in current public sector organisations and how reward can be used to overcome this.

The research for this report took two separate approaches. Our research included interviews with senior managers who have experience of leadership roles within local government, including those having joined from a private sector background, the second piece of research looked at Councils irrespective of whether by design or choice their journey to becoming commissioning authority.

Our interviewees included:

- Mark Rogers, Chief Executive, Birmingham City (Appendix A)
- Maxine Taylor, Regional HR Business Partner, Birmingham City Council (Appendix B)
- John Van De Laarschot, formerly Chief Executive at Torridge District Council and Stoke on Trent City Council (Appendix C)
- Elaine Chandler, Head of Human Resources, Worcestershire County Council. (Appendix D)

3.0 RESEARCH

When asked what was the vital missing ingredient from the public sector, key observations and issues were as outlined below:

- Skills shortages are back on the agenda, there is a need for the public sector to look at how they can attract top talent, tailoring their offerings to suit their target employee base.
- With greater emphasis on commercial negotiations, collaborative and partnership working, service redesign, and transformational change, the skills prevalent in the public sector today are not likely to be the same skills that are required tomorrow. In short, the public sector needs to cast its net wider to attract and retain the best people in order to make change happen.
- The aim to build high performing teams (mentoring / developing talent.) Leadership skills are transferable across sectors. Its attitude and people skills that make the difference
- An increasing absence of young people and 'passion'
- Value for money for public services and the citizens we serve "customer is king".

In this context, organisations are increasingly looking to benchmark and review how their total reward proposition compares with those of their competitors

Our interviewees further added; there needs to be more looking ahead to recruit a workforce with different skills, knowledge, understanding and experience. Although an issue for those reluctant to change, pay was not considered an absolute barrier, with the issue around pay being the impact of austerity and pay restraint which is eroding the attraction to the public sector. In terms of Commissioning and Procurement, the focus should be value for money and based on the principle not the cost. .

The use of consultants was deemed much higher when compared to experience in private sector organisations. The reason for the high usage being suggested as a combination of the culture adopted in public sector and the need to deliver results in short time scales. There was a perception of a general lack of project and commercial skills and a requirement to develop commercial expert knowledge at the leadership level in the organisation e.g. continuous improvement and the use of LEAN processes and to manage change for a brighter future.

The John Lewis Partnership Model

Both of our Chief Executive interviewees were interested in exploring a reward solution within a commissioning council which adopted some of the ingredients in the John Lewis approach to pay. The principles of the John Lewis approach are the 4 P's Pay and Reward approach in John Lewis:

Performance, Productivity, Pay and Progression have to work in harmony to create a compelling and sustainable way forward for the John Lewis 'Partnership'. This approach is considered by the partnership to be more dynamic, effective and agile, with objectives to create better jobs, better performing 'partners' (employees) and better pay.

Better Jobs	Better Performing Partners	Better Pay
We create meaningful and valued roles that offer the scope for Partners to contribute more and to earn more.	We continue to develop Partners' performance in ways that are valued by customers and reflect their responsibility as co-owners.	We increase the pay of individual Partners in line with their contribution to creating value.

The John Lewis model championed a genuine partnership for all, with employees (partners) at all levels having a strong belief in the common good. The benefit of a mutually beneficial model, with no external shareholders involved, means that John Lewis can do what is best for all its partners and the long-term health of the business, without being and is not beholden to the pressures of external financiers..

During 2008, John Lewis saw significant drops in retail sales and overall profits, along with other retailers. In deciding how to move forward together, the watchword was “doing the right thing for the long-term”. This meant:

- Resolving that there was to be no compromise on quality, service or value
- Taking tough decisions, including making roles redundant (but re-deploying 60% of staff involved)
- Investing for growth, for example in the development of johnlewis.com, in order to give partners confidence for the future.
- Great leadership was crucial as the company navigated the crisis. Combined with honest and consistent communication, prompt, visible and considered action, emotional connection and reflective empathy with all partners, and the ability to inspire and give hope for the long-term.

Three factors – strategy, authenticity and marketing – have been important in securing John Lewis’s strong position in the last few years. ‘The John Lewis model is based on ‘trust’. It is important that the brand resonates with people as a constant in a changing world, and their marketing in recent years has been very much values-based,

Issues and experiences of those already on the commissioning journey

Cherwell District Council (CDC) and South Northamptonshire Council (SNC)

In order to work towards future-proofing against the financial austerity facing Local Government, CDC and SNC joined forces and are currently going through the process of restructuring with a view to implementing shared teams across the 2 councils. The majority of services are now shared with the remaining few imminently awaiting restructure. CDC and SNC introduced new strategic aims as follows:

- Supporting local communities and businesses driving economic growth
- Using customer and strategic insight that will drive delivery across the business
- Supporting the delivery of new projects that generate income
- Renewed focus on business plans and alignment with both strategic and commercial objectives
- Gain customer insight using clear evidence to define outcomes
- Mixed economy approach to commissioning and continuing to look at joint working partnerships

The steps taken so far in order to meet these strategic aims are as follows:

- A new structure at the senior management level with the appointment of three new directors; Strategy and Commercial, Commercial Development and Operational Delivery
- Working towards creating a commercial culture by the introduction of a new competency framework. This will assess the behaviours of current employees and provide insight into the gaps and development needs required.
- Recruiting a new project team with the opportunity for current employees to be seconded to the Commissioning Project Team.
- Plans to review pay and reward for commissioning services and the introduction of Teckal companies – setting up some services as arms-length organisations, allowing them to operate as a private company and both make (and share) profit.

Worcestershire City Council

Worcestershire County Council are further along the transitional journey to becoming a commissioning organisation than Cherwell and South Northamptonshire Council, with a stated policy objective that by 2020 all services will either be expressly commissioned externally (or internally) in order to contribute to the wider ambition of less reliance on government funding.

Feedback from exit interview questionnaires determined that people had left because of the constant restructuring due to on-going budget cuts and also as a result of low pay levels and a diminution of terms and conditions. Furthermore, the constraints of job evaluation fail to

cater adequately for the recognition of commercial and commissioning skills, which do not exist in any depth within the existing public sector workforce.

In a transition away from traditional public sector approaches to the reward package, the Council have: -

- Tackled employment costs by
 - Moving away from the traditional “Green Book” arrangements for the middle manager level and above
 - Through agreement with the Trade Unions removed essential car user allowances
 - Implemented changes to the sick pay scheme; moving away from the generous 6 months full pay and 6 months half pay typical of local government to a scheme that is much more reflective of private sector organisations
 - Completed a radical makeover of the redundancy scheme in order to make further savings, and;
 - Introduced a mandatory 3 days of unpaid leave per annum for all employees in order to further reduce the payroll bill
- Completed an organisation wide skills assessment to ascertain skills gaps that are fundamentally important when commissioning.
- Increased the flexibility of senior managers to use honoraria and ex-gratia payments as well as market-rate allowances, in order to attract the required skills into the organisation and overcome the constraints of the job evaluation scheme and the restrictions due to the pay and grading system in place.
- Changed the local conventions of the job evaluation scheme with an introduction of points for decision making accountabilities which meant higher basic salaries could then be ascertained.
- Employed a central commissioning team with strategic commissioning officers in every service area. This allows for contracts to be assessed and implemented horizontally to benefit as much of the organisation as necessary.
- Introduced a robust talent management system in order to future-proof the organisation to ensure they grow their own with the skills required for the new way of operating.
- Devised a new culture model which ensures that employees know how everything they do links back to the strategy plan to ensure the 2020 plans remain on track with HR Business Partners focussing their efforts on working with Head of Service to determine their needs for 2020 and find out what the organisation needs to look like.

WCC have come a long way on their journey towards becoming a commissioning council but in terms of reward, it is acknowledged the arrangements in place that relate to pay represent 'short term' fixes rather than significant and sustainable redesign and change. They are also still required to adhere to a job evaluation scheme that whilst works better does not allow the freedom to pay what is required for the skills needed whilst avoiding the (perceived and real) risk of equal pay claims.

The Council are presently developing a Total Reward package that encompasses benefits, grading, talent management and career management but there is no evidence yet that can determine how successful this will be.

4.0 FINDINGS - The role or REWARD in transition

If the new direction of travel is towards a destination of becoming an effective commissioning organisation then how can reward strategy and approaches 'pave the way'. In exploring this, we sought to utilise the analogy of a car; the journey the car will travel being representative of the journey an organisation; what are the key components to deliver progress and where does reward fit into all of this? .

The Component parts

Steering Wheel; The Strategy

Corporate strategy determines the direction an organisation will take in order to achieve business success in the long term (CIPD, Corporate Strategy Factsheet)

Strategy needs to be at the forefront of every organisation as it provides the direction of travel and the focus on what needs to be achieved.

Driver: Organisational Leadership - Leader/Chief Executive

The decision making roles of political leaders and their vision for the future defines to destination and the Chief Executive is responsible for expressing the route through leading the development and implementation of Strategy. Everything needs to be pulling in the same direction to achieve progress and hence the strategy must be fully communicated to their workforce and all employees need to fully understand how their job roles and their contribution will be integral to delivery. Using the car analogy, this will require a balance between the 'pedals', often with one foot on the accelerator but maybe having to put the brakes on it if, for example, when changing political priorities or other external factors determine any change in direction or pace become necessary.

Fuel; People (Workforce)

A car will not move without fuel and nothing can happen in an organisation without people in place to fuel the change and carry out the tasks towards the objectives required as set in the strategy.

The right type and quality of fuel is important and in the commissioning context there needs to be greater emphasis on values, which not only help to attract the right people, but also ensure that those joining the organisation are committed to achieving the goals of the organisation and feel engaged. This can positively impact not only on staff retention, but also on productivity and goal attainment.

With greater emphasis on commercial negotiations, collaborative and partnership working, service redesign, and transformational change, the skills prevalent in the public sector today are not likely to be the same skills that are required tomorrow. In short, the public sector needs to cast its net wider to attract and retain the best people in order to make change happen

Most employees who increase their pay do so by developing their skills within their current job 'learning agility' is the key and can be described as a competency or capability which describes a person's speed to learn. In 'fuelling' their organisational capacity, councils need to;

- Be innovative with learning opportunities and experiences
- Take every opportunity to reinforce and develop *is the* organisations 'learning agility'
- Make better use of training and development investment and time.
- Provide the right tools and equipment to help employees make the most of the career opportunities offered by the organisation.
- Invest wisely in future competitive capabilities in order to be a self-funding organisation and no longer reliant on public or government funding.
- Enhance the career journey ensuring talent is managed and retained clear development, career paths exist.

Engine: The Organisation

The 'engine' is the all-encompassing organisation; it's the culture that exists, the driving force that enables progress to take place and the systems, policies, procedures and processes that are the orderly expression of the 'beating heart'.

Gearbox: Reward

In our analogy, the gearbox represents the approaches to reward, in that such can determine the pace and efficiency of the organisation and which maximises fuel efficiency.

Strategic reward - is based on the design and implementation of long-term reward policies and practices to closely support and advance business or organisational objectives as well as employee aspirations.

Total reward – is the concept of total reward encompasses all aspects of work that are valued by employees, including elements such as learning and development opportunities and/or an attractive working environment, in addition to the wider pay and benefits package.

Reward strategies must be anchored in business reality to be effective. This means linking it to business strategy – and the needs of employees as well as the organisation.

You may have your driver, steering wheel, petrol and engine all in good working order but the car will not move without selecting a gear and this is representative of how reward can support the organisation design:

1st GEAR – Case for Change

How do we attract new employees into an organisation on the commissioning journey?

The first element of reward is basic pay and organisations need to question if this is at the right level to be attractive to potential employees.

The relentless downward pressure on public sector salaries appears to be damaging the sector's attractiveness. But judging whether employers are losing a competitive edge as a result of pay restraint is complex. If the public sector provides all the required skills from

within then externally competitive salaries are less important. But if pressures such as the need for stronger performance management and more commercial skills make private sector experience more attractive, the relative decline in public sector pay and the rapidly widening differential between the pay of the most senior staff and their private sector peers becomes an issue.

As a limiting 'gearing' impact, the constraints of job evaluation and pay and grading systems within local government can result in uncompetitive rates of pay. There is a need to establish defensible and justifiable reasons to pay more for particular skills, through reducing risk aversion and being more innovative in developing an effective approach to the definition of basic salary that is flexible yet untainted by any discriminatory aspects.

It is also important to both value and 'sell' the non financial aspects of the employment 'offer' i.e. that people are not necessarily attracted to the public sector for the pay but the desire to make a difference. In order to be attractive and in line with Sinek's *Golden Circle*, the message as to why an organisation exists, its social value and how people can make a difference needs to be clearly advertised. The employer branding and culture also need to resonate the desire to make a difference in order to become an employer of choice.

2nd GEAR – Organisational Assessment

- What skills do we have in-house?
- What do we need? What do our stakeholders want?
- Do we have a market for our services?
- Are our services cost-effective? How can we make them more cost-effective?

In the first instance when looking to transition to a different organisation design it is necessary to establish what skills are already in the organisation that will be required for the future and how these can be retained and built upon. One key factor of how reward can support this is performance related pay. This ensures that staff have clear direction in the targets they are set – which should link to the organisation's strategy; and, if achieved, staff are rewarded for their efforts. This further reinforces the employer brand and culture and encourages high performance.

When looking at what skills will be required in the future, reward can also play its part through talent management and career progression schemes. This gives an organisation the potential to grow their own in order to succession plan whilst aiding the engagement and motivation of staff, which in turn should assist with retention.

3rd GEAR: How can reward support the organisation design?

- What does the organisation need to look like?
- If we don't have the right skills how will we get these?
- How will we retain the people with these skills?
- How can we future-proof?
- How do we make people want to work for us?
- How can we ensure our reward package can support retention?
- Where do we want to be in 5 years, 10 years?

When moving into third gear a number of decisions will need to be made in terms of how best commissioning can work; if the skills do exist, albeit not in the public sector, then consultancy could be an option, provided that it is a short-term fix with an evidential return on investment as research has shown that Members are not keen on this potentially high-cost approach.

Talent management and career management schemes can assist with the provision of skills required and also future-proofing the organisation.

It may be best at this point that service provisions break away from Council employment and set up as a separate company, such as an arms-length organisation that can run without the local government constraints, such as job evaluation and equal pay, and trade union involvement and has the freedom to operate with greater commercial acumen. This allows the freedom for the organisation to offer a whole range of rewards such as bonus schemes, commission or even partnerships like the scheme offered by John Lewis.

Regardless of which direction of travel is chosen, reward schemes need to be flexible in order to support retention, not everyone wants to buy a bike through a cycle scheme, not everyone wants childcare vouchers so it is important to ensure that the offer is wide-ranging.

4th GEAR: Implement the Change

- Are we retaining the staff that we need?
- Are we on track to meet our strategic aims?
- Do we still have the right skills?
- Whilst implementing the change there are a number of options that can be considered in order to ensure success:
 - Move away from National Pay Agreements
 - Reward individuals in line with their contribution to creating value (PRP)
 - Allow market supplements for specialist roles
 - Segmentation of competitive reward packages for teckal companies
 - Set up a separate private company and employ key commercial talent
 - Design non-financial rewards to attract, retain and motivate
- Indicators of how successful the change is could be found in the following:
 - Responses to recruitment campaigns.
 - Feedback from exit interviews of those that have chosen to leave
 - Results of Appraisals and levels of performance related pay being achieved
 - On-going skills assessments of employees.

5th GEAR: Evaluate and Review

Did we get it right?

Do we need to go back to 3rd gear and tweak or radically change our organisational design?
Do we need to go back to 1st Gear because the external factors that drove the change in the first place have changed?

Is the reward package assisting the retention of staff with the skills required?

5.0 CONCLUSIONS

The need for Local Government organisations to change how they are operating is evident. Income generation, winning new customers, competing and trading in the market place are fundamental to growing a business. The public sector is still playing catch up with these concepts and yet this is now becoming a commercial reality for many local authorities.

The skill set, competence and behaviours of the wider workforce for which they were recruited in the past has changed over time, thereby leaving a potential mismatch between the capabilities of the current workforce and the expected outcomes. For many staff the evolving workplace and skill set required will feel very different from those needed at the point they joined.

Reward needs to be at the forefront when considering the organisational design of a commissioning organisation. The employer brand and culture has to be right in order to be an employer of choice. Local Government organisations need to find a way to move away from the over burdening constraints of job evaluation schemes, whilst retaining underpinning equality principles to enable the payment of market rates in order to gain the skills required.

Employees need to be aware of how their contribution is making a difference and supporting the achievement of the strategic aims. Reward in local government needs to shift its emphasis from out-dated fixed (and often unduly generous) terms and conditions 'packages' to the promotion of achievement through performance related pay and properly valuing scarce and key skills and competencies.

Workforce planning is critical in order to be prepared for the future and talent management and career progression schemes can support this.

6.0 RECOMMENDATIONS

This report has completed research into the current issues and constraints within Local Government and explored the actions of organisations currently on the transitional journey to becoming a commissioning organisation but it is difficult to devise a set of recommendations when the idea of commissioning is still quite new to Local Government. This report has provided a list of high level questions that organisations need to ask themselves in order to help steer the direction of travel but depending on the responses this will lead to further questions that need to be answered.

Key factors that are essential in order to successfully re-design an organisation are as follows:

- Strong Leadership
- Very clear organisational strategic aims and values
- Competitive pay systems
- Ability to attract and retain key talent
- Flexible to change direction
- Rewarding performance in line with ROI

Key pointers that allow organisations to consider how reward can support the transition are as follows:

- Sell the 'Why' – work for us and make a difference to your local community. Ensure the employer brand and culture compliments this in order to become an employer of choice.
- A remodelled employment offer which enables greater operational efficiencies in the longer term
- A grading and pay arrangements which offer flexibility that will bring in new talent from different sectors
- Pay and benefits are tailored to the future workforce in order to attract and retain talent whilst reinforcing our desired culture
- Updated performance management arrangements that drive a high performance culture and focus on the workforce delivering results.
- Talent Management Framework which delivers strong succession planning at all management levels
- Critical commissioning roles and skills are identified and are delivered through the most appropriate solution.

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Summary of Interview Mark Rogers Chief Executive Birmingham City Council

Mark expressed the view that to work in public sector is a vocation and his aim is to make a positive difference every day to people's lives through his early teaching career through to joining local government in 2001. His motivation to choose teaching was mainly because he had become interested in working with people with Special Education Needs and Disabilities (SEN&D) and he felt that they were (and, in many cases, still are) marginalised and discriminated against. And he was (and still is) outraged by that and wanted to play his part in change.

Following an early local government career in Tameside; Stockport and Solihull, he was given the chance to run Special Education Needs and Disabilities services when appointed as Solihull's Director of Children's Services - at that time he thought this was the ultimate job. However despite progressing to become Solihull's Chief Executive, he was inevitably drawn to the role at Birmingham as the Chief Executive - in his words "who wouldn't want to - it is a job that has everything (including some things one could do without, of course)".

In Mark's view, the public sector needs passionate people and more young people. He adds the issue, first and foremost, isn't a problem of recruitment, it's all about the people we already have and the need to equip them for the future with the required skills. A detailed skills audit needs to be conducted across an organisation, followed by individual development plans. Commissioning capacity and skills is a recognised deficit, however, in his opinion these come second to values, behaviour/attitude and passion.

Mark offered the perspective that "we've largely been brought up to run things. Very few of us have been taught, let alone practised at length, the art of commissioning". Also, the definition of commissioning remains contested; it seems that almost everyone has their own description of it. And, finally, councillors are struggling with this new world where they don't run - or direct others - to run things; there remains some transition to acclimatise to the new roles of influencing/enabling. The public sector needs to look ahead more, we hardly think past next week. So, the big issue for years has been actually systematically horizon-scanning and then consciously and effectively planning for a workforce with different skills, knowledge, understanding and experience.

With regard to pay and reward issues, Mark expressed the view that we need to be less risk averse; consider options for services to be delivered through alternative delivery models; and leave national pay and conditions behind. Of these, the first is by far the most powerful.

In summary, there is no one right answer to the debate around the current pay and reward structure. If we create more passion there is less need to fall back on pay and reward as the motivator. Pay is sometimes an issue for those reluctant to change - but it's not an absolute barrier. Reward should be linked to demonstrating the organisation's values in one's behaviour and meeting/exceeding the overall priority outcomes. The answer may lie in adopting something like the John Lewis model when all share in the success of the whole organisation. Finally "Human Beings are amazingly versatile people. We adapt every day to all kinds of variations – the difficulty of shifting sectors is exaggerated. It's the challenges of aligning values that's the difficulty".

Summary of interview with Maxine Taylor, HR Business Partner - Birmingham City Council

Maxine joined the public sector 7 years ago after a long and success career in the corporate Banking Industry. She was a female senior manager in a male dominated industry; she completed all her banking qualification and was promoted to Regional HR Director.

Her observations of working for a short period of time for Birmingham was that we have too much use and dependency on consultants and a general lack of project and commercial skills in certain areas of the business. There is a requirement to develop commercial expert knowledge at the leadership level in the organisation e.g. continuous improvement and the use of LEAN processes and to manage change for a brighter future. There is a lack of planning and accountability of performance and pay associated with and linked to key business deliverables and a requirement to develop in-house skills in facilitation, consultancy and contracts management, operating more through an internal consultancy model. With an aging workforce what are we doing to change the reputation and recruit the younger generation e.g. apprentice scheme graduate programmes.

How much attention is given to the return on investment (ROI) and the added value of a change programme? People do not understand their role and how this fits in to the vision of the organisation/values.

In terms of the Reward package Maxine expressed the view that if we just pay basic salaries there is no motivational element to improve employee performance or attract talent. We need a proper incentivised reward package. There is no incentive to strive for increased pay if your increments are automatic. On the assumption is that pay is a motivator, if we moved to a total reward package similar to the external market, we could use key indicators to measure and review performance. We need to move to a more 24/7 as standard to increase agility and apply more flexibility to move to set develop a reward package that attracts the right people. We need to move to a job family approach as we have too many variables in the same job and different grade, pay parity. We need to offer a flexible pay package tailored to the individual e.g. pay back holiday private health care car schemes. You opt in and out as it suits on an annual basis.

Move to a true sense of the word use of performance related pay, differentials between grades and salary increases as a motivator for improved productivity. This would enable the public to receive not just a standard service but improved level of service striving for the best. Consideration of significant increase in LEAN process reengineering and collaboration with partners e.g. NHS to create future economies of scale e.g. review of polices and have one set across the public sector. Review pay scales implement job families so we have consistency in approach. Currently slow to react and obtain decisions. There is a real need to be able to run and operate like a business and reduce member's involvement in decision making.

The political dimension is alien to those working in the private sector and the level of power and influence is significant and needs to be factored in to the process. We need to improve the communications and have access to all levels.

Summary Interview Notes - John van de Laarschot

Following a career in multi-national private sector companies and a global role with Pepsi Cola, John has spent the last 10 years as a Chief Executive in Local Government and describes himself as "one of the early 'time travellers'". His transition to the public sector was that he wanted to be able to make a positive difference (focusing on people's quality of life, rather than shareholders return on investment). In addition the personal satisfaction of achieving stretch goals (organisational / personal). The aim to build high performance teams (mentoring / developing talent.) It is his view that Leadership skills are transferable across sectors. It's attitude and people skills that make the difference.

In terms of a commissioning council?

This can be seen essentially as a sub – contracting arrangement? The questions always starts with what do you 'commission' and what do you keep? And the Why is important? There is a need to develop contract & client management skills. The message is you need to ensure that you are clear about:-

Purpose / Measures / Method.

The issue around the pay model is austerity and pay restraint have eroded the attraction of public sector appointments. This has been compounded by the image problem, the 'fat cat' syndrome and culpability and a conservative approach to the use of public funds. You could say you often you get what you pay for! In terms of Commissioning & Procurement – value for money and based on the principal not cost.

There is a requirement for an innovative approach to recognition and reward that is more sophisticated approach than a pan organisation spinal chord. There is an opportunity to share in the benefits eg the John Lewis model?

The constraints are: -

- Political rhetoric is unhelpful.
- General public have been conditioned to public sector pay constraint (and don't see the value for money).
- Pay is seen as a cost item on any purchase ledger, rather than investment in resource.

Interview with Elaine Chandler, Head of HR & OD, Worcester City Council

Elaine initially confirmed that they were going ahead with the commissioning model across all areas of the Council but that the brakes had been applied more recently.

Can I ask why the brakes have been applied?

We have had a change in leader following the local elections. The new leader wants our approach to commissioning to become more robust.

We are still going through the commissioning cycle but we are working with the market if it's not ready and then putting the service out. It needs to be viable.

Where we haven't had a mature market we've shaped it and then put the service out. We would be the preferred supplier and maybe not put the service out if the market wasn't ready.

As an example, Health and Safety is a commissioned service which has already recovered its costs and is now starting to generate an income. We have received a request for training from Bosch and we have a pro-quo in place that they will support the experiential development as part our own development programme for our future Heads of Service.

I am looking at Total Reward and it's not just about remuneration. People come here because they are attracted by our talent programme as they are given mentors and can aspire to become Directors. Internally out of 60 managers, only 3 were ready to become Heads of Service.

What are the issues you currently face recruiting to specific specialist/commissioning role?

We still have issues with grading and a points-to-pay system. We are a poor payer. We are steering away from Green Book above mid-manager level. We are not a market leader when it comes to remuneration. Exacerbating our challenges of market attractiveness, in order to make savings we have reduced our working week from 37 hours to 35 hours which is a 5.4% pay cut.

We have also introduced mandatory unpaid leave where staff are required to take 3 days unpaid leave per year. This saves approximately £600K per annum although staff acknowledge that it provides additional leave for them.

We have updated our terms and conditions on sickness and now don't pay for the first 3 days of sick. This has improved sickness rates massively with the average days per employee reducing from 10 to 6 per annum.

We use the GLPC Job Evaluation scheme and the points to pay are compressed which gives us an issue with middle and senior managers. Our local conventions mean that points are awarded for staff and budgets. Specialist roles do not have staff or budgets so don't score high. We need the commercial skills when commercial decisions are to be made.

We do have a Commissioning Manager and team that sits in the centre of the business and then strategic commissioning officers in each service area. We need professionals to manage commissioning contracts but this is difficult to attract on a salary of £40k so we have used market force supplements.

We have amended our local conventions to include Decision Making Accountability (DMA) and we used to have 8 levels of this which we have now reduced to 5.

We offer Talent programmes and the training around this is dependent on the level of manager.

I have also developed a competency framework internally; I brought in Insight which I used in the Private Sector. The framework has 8 domains of leadership and builds on themes. The framework is similar to Myers Briggs and different colours identify different requirements. Our DMA posts are our technical experts and we don't have many. We had to change the local conventions to recognise the technical expertise required and now have salaries for these roles of around £55-60k.

We are currently paying market force allowances, honorariums and ex-gratia payments where we can.

I have restructured the HR team since taking on the Head of Service role. The new structure commenced in June 2016, with 2 Workforce Strategy Managers as well as 2 HRBPs and centralised HR and Organisational Development functions. The HR Business Partner roles demanded market forces supplements to attract the right talent. We used to have an elongated process for market force whereby we had to go out to recruitment, now we just need to evidence 3 salaries from similar roles in other organisations. I have instructed my HRBPs to get into services and find out where the single point failures are and do a business case for market force on these roles. We need to recruit to and retain critical post/critical people.

I have just completed a paper on Total Reward that supports our commissioning model. The paper looks at benefits, grading, talent and if employees are not interested in management then we look at career management. We already have graduate and apprenticeship programmes in place.

We have an appraisal system in place and employees on grade PO4 or above only receive an increment if they receive a good appraisal. We are looking further into performance related pay such as non-consolidated lump sums and spot salaries.

What training have you offered to staff to allow them to develop into these roles / succession planning?

We completed a skills audit for commissioners and some front line staff. In our Commercial and Change team; 5 out of 6 staff members are from the private sector.

We looked at the skills audit, checked with the public sector what the key skills are and then checked the skills in the private sector.

Do you feel that the skills required can only be obtained by those whom have had prior experience of working in the private/voluntary sector(s)? (commercial/commissioning)

We have given staff training in relation to being commercial. With the Commissioning team we started with a blank sheet – what did the team need to look like? We didn't want to fit current arrangements into the new team as the first step, we looked at the fit when we knew what we wanted.

I have created a Workforce Effectiveness Board. The senior team and Chief Executive are members and we meet every 6 weeks. We are working on what the workforce needs to look like in 2020. I have devised a culture model that ensures that staff know how all initiatives lead back to the strategic plan. The first draft of this

has been discussed at the board. I have looked at demand management and avoidable demand – what can we do differently or stop doing to free up time?

In the new HR structure, I have HR Strategic Manager roles and their task is to socialise the new culture model with service managers and staff and find out if any changes are suggested before the launch.

I have also managed to get approval of a half a million pound budget for investment in talent.

What attracted you to Worcestershire County Council?

I previously worked for HSBC with half a team in Birmingham and half in Windsor. My daughter was poorly one day and it took me 3 hours to get home to her. My background is OD and culture. I live in Worcester so the job was local. I took a drop in pay to come here but it was convenient for me.

I am passionate about leadership and I need the right environment to work in, with the right culture and leadership. Our current Chief Executive came into the role straight from a Head of Service role and we have a really good relationship.

Have you been successful in attracting candidates to apply for those roles? If not why not? Do you think this is linked to pay and /or reward within Local Government?

Yes we have and some have said they were attracted by our talent management programme.

If we are to attract the skills we need then the environment needs to be right. In the past, people have left because of the poor quality leadership making change for changes sake. We still don't have a reputation of a place that people want to work.

We are looking at the workforce that we need in 2020 and I have been tasked with providing this at cost neutral.

There is going to be a debate in July about whether we change the principles or provide more budget to facilitate this. We are currently looking at establishing Teckal companies.

When we are completing recruitment we run Recruitment Assessment Centres for each level of staff that we require. We first test behaviours and then require a technical test. We have qualified assessors running role play and group exercises that are built around our competences.

We don't currently have the skills to work commercially and we need this expertise. This may require us to employ consultants for short periods of time to set this up.

We are also part of a place partnership which involves the Council, Police and Fire Service. The Managing Director is commercial and staff have been TUPE'd over to the company. The Council are on board but can also sell and buy services. We have also merged Property and IT which has meant we have lost Heads of Services but this is due to downsizing.

We have looked at FTE reductions and will need to further look at this because it needs to work with commissioning contracts. HR will be working on this and HRBPs have been tasked with working with Heads of Service to look at what the organisation needs to look like in 2020.