

<b>Meeting</b>	Board	<b>Agenda Item No.</b>	4
		<b>Paper No.</b>	130.2
<b>Date of meeting</b>	14 December 2023	<b>Time required</b>	15 minutes
<b>Title</b>	<b>Pay and Benchmarking Update</b>		
<b>Sponsor</b>	Debbie Wright, Head of People Strategy & Services		
<b>Status</b>	<b>OFFICIAL SENSITIVE</b>		

### Executive summary

#### Background

CELRE Consultancy Ltd was originally commissioned to carry out a market pay benchmarking exercise for LeO during Q3 of 2021. This was completed for Operations roles in December 2021, with Corporate ongoing. However, due to unforeseen circumstances LeO was no longer able to use CELRE for the outstanding work so an alternative benchmarking consultancy, Korn Ferry, was commissioned. It was felt that, given the changes in the job market post-Covid, the impact of the cost-of-living crisis and attrition challenges within the business, a new pay benchmarking exercise should be conducted for all roles within LeO. In order to obtain a holistic view of LeO's position within the current job market a separate exercise was also undertaken to benchmark LeO's employee terms and conditions and benefits offer against other organisations.

Korn Ferry's approach to evaluating the salary data is to focus on those instances where LeO's current pay level is lower than 80% or higher than 120% when compared to the target market median (50<sup>th</sup> percentile). Previous benchmarking exercises have used a 10% tolerance level against the market median; the pay benchmarking report was therefore further developed to also enable analysis of those LeO salaries that fall below 90% or are above 110% when compared to the market median.

The pay and benefits benchmarking report was written in June and was based on the latest Korn Ferry salary data available. An assumed 4.5% pay award was also built into the analysis. In October, Korn Ferry completed the annual refresh of their salary database so a further comparison was undertaken to compare LeO's salaries against the new target market compensation for the roles.

Generally, the updated target market compensation values have not had a significant impact on the overall original findings: unsurprisingly some posts have fallen outside of the thresholds as a result of the increased target market values (e.g., Executive Team posts, a number of Corporate) or back within the thresholds. Overall, Operations posts are largely unaffected by the increase.

The full pay and benchmarking report and associated data were given detailed consideration at the RemCo meeting on 16 November.

## Headline findings: Korn Ferry pay benchmarking

Key points for Board members to note are:

- When compared to the latest Korn Ferry data, generally Operations roles fell within the applied thresholds (80%/120% and 90%/110%). All current Executive roles fell below. The picture for Corporate roles was more variable, with just under half falling within the applied thresholds. However, whilst the Korn Ferry pay benchmarking exercise has been a useful exercise, it comes with caveats; when drawing conclusions from the data a number of factors need to be taken into account. Although the Korn Ferry database is extensive, outcomes will be influenced by the actual organisations available for comparison within it. In addition to the above point, the value of the Korn Ferry benchmarking exercise for investigator roles needs to be considered against the degree of direct comparability to other investigative roles and organisations within the database. Korn Ferry has looked to address this through their advice on the use of job function codes as part of the benchmarking process but to gain a holistic view it is important that the findings of the separate benefits benchmarking piece is also taken into account – particularly the comparisons against other ombudsman organisations.

## Key findings: wider benefits analysis

The complementary wider benefits analysis presented the opportunity to directly compare LeO to other ombudsman and regulatory sector organisations. Key points to draw from this exercise are:

- Investigator salaries are higher across most similar organisations in the ombudsman or regulatory sector, in many cases by significant margins. The comparison of investigator roles does demonstrate some difficulty in comparing like-for-like, with some of the highest-paying investigator roles in some other ombudsman organisations incorporating greater levels of delegated decision-making. The investigator role at LeO leads to the development of experience and skills that enables individuals to move into these higher-paid roles on salary and benefits that LeO is unable to readily offer. This leads to high attrition rates that impact on LeO's ability to deliver a high-quality service to customers.
- Most, if not all, organisations in the ombudsman or regulatory sector have a significantly better wider benefits offer, including in respect of annual leave entitlement, contracted working hours and pensions (including in many cases access to the Civil Service Pension Scheme).
- A number of ombudsman organisations offer fully remote working opportunities or reduced attendance in the office.
- A number of organisations increase annual leave entitlement in line with continuous service.

### Next steps

It is not the intention to use the findings of the pay benchmarking exercise to review individual salary levels, unless they pose an equal pay/potential discrimination risk, in which case they will be highlighted and assessed through the relevant channels, dependent upon the posts in question. The purpose of the pay benchmarking exercise, complemented by the benchmarking of LeO's current employee value proposition (EVP) against other organisations, is to provide an evidential base on which to assess the extent to which salaries, terms and conditions and benefits are uncompetitive and therefore potentially impacting on LeO's ability to attract, recruit and retain high quality staff, crucial to our current and future sustainability and performance.

These findings will also inform the development of a new EVP, which will need to be considered within an affordability and budget-planning context and governance constraints. However, work has already begun on improving our EVP in areas within our control and this will be a key priority in Q4 and into 2024/25.

An internal comms piece will be developed to share key findings with staff following Board's consideration.

### **Recommendation / action required**

Board is asked to **note** the pay and benefits benchmarking report.

### **Equality Diversity and Inclusion**

#### **EDI implications**

**Yes**

Specifically equal pay issues, as referenced in the 'Next Steps' section above.

### **Freedom of Information Act 2000 (Fol)**

#### **Paragraph reference**

#### **Fol exemption and summary**

N/A

N/A to this paper. However, due to the sensitive nature of the full pay and benefits benchmarking report and associated salary data these documents are exempt under Section 40.