

**REPORT FOR: Chief Officers'
Employment Panel**

Date of Meeting: 2 March 2015

Subject: Senior Management Pay Scales

Responsible Officer: Jon Turner, Divisional Director of HR,
Development & shared Services

Exempt: No

Enclosures: Appendix A: Extracts from the Council's
Pay Policy 2014/15
Appendix B: Current and Proposed
Revised Pay Scales

Section 1 – Summary and Recommendations

This report seeks Chief Officers' Employment Panel approval for changes to the Council's senior management pay scales.

Recommendations:

The Panel is requested to approve the revised senior management pay scales (Appendix B) for implementation from 1 March 2015.

Section 2 – Report

Background

1. Section 38 The Localism Act 2011 (the Act) introduced the requirement for Local Authorities to agree and publish an annual Pay Policy Statement commencing 2012/13. The Department for Communities and Local Government (DCLG) also published statutory guidance on 'Openness and accountability in local pay'.
2. On 20th February 2013, the DCLG issued supplementary statutory guidance 'Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011'. Authorities in England are required to take account of the supplementary guidance when preparing their pay policy statements for 2013-14 and each subsequent financial year.
3. The DCLG guidance is that full Council should be asked to determine whether it wishes to vote on any remuneration package or payment on termination of employment amount to £100,000 or greater.
4. The Council delegated authority to the Chief Officers' Employment Panel for determination of any remuneration package of £100,000 or greater

This report seeks approval for changes to the senior management pay scales which affects pay points at £100,000 and greater.

5. In the context of the Council's current Pay Policy (Appendix A) our pay strategy must enable us to attract and retain suitably competent staff in senior management roles. A key factor in this is our ability to pay people equitably according to 'job size'. This also minimises the risk of equal pay issues.
6. Senior management roles are growing both in size and complexity. Reductions in senior manager numbers means that the remaining senior manager role dimensions e.g. budgets and responsibilities are most likely to increase. New operating models / ways of working may bring additional complexity to roles e.g. managing shared services for multiple organisations / authorities and, or, LADOs (Local Authority Designated Officers).
7. Senior manager pay was reviewed in 2011 as part of modernising pay and conditions, which resulted in a reduction in pay rates. However, the grade structure was not changed and is currently as set in Appendix B.

Job Evaluation, Grading and Pay

8. Job evaluation (JE) is the process by which jobs are 'sized' using standard criteria and which provides a point score for each job. Harrow

uses the Hay Group Local Authority Job Evaluation Scheme for management roles

9. Grade structures are established by setting ranges whereby the grade for any job depends on the range within which the job evaluated points score falls.
10. Organisations set the pay for each grade based on a range of factors in accordance with their pay policy / strategy and typically seek to balance the cost of pay with the need to set pay rates which will attract and retain suitably competent staff.

Hay Job Evaluation Scheme

11. Hay job evaluation and grading for senior management roles was introduced in 2007/08. At that time the range for Divisional Director & Director posts was from 954 to 1142 points. CD grades were 'reserved' to Corporate Directors and the Hay evaluated points score for the new Corporate Director jobs established in 2011 was 1418. These evaluations were the basis for establishing the points to grade bandings below:

| Hay Points | Grade |
|-------------------|------------------|
| 911 - 1050 | D1 |
| 1051 - 1250 | D2 |
| 1251 - 1350 | CD1 ¹ |
| Above 1350 | CD2 |

Reason for the Changes

12. At the time of the 2011 senior management review there was a significant gap between the evaluated points for Corporate Director jobs and those of managers at the lower tier (D grades). However, recent evaluations have seen point scores rising and pushing towards the pay grade boundaries. As a consequence the pay structure is increasingly under pressure not only at Corporate Director level but also at Head of Service where the increased size of roles is pushing more roles into the D grades as can be seen in the examples below.

| | |
|---|------|
| E.g. Director of Adult Social Services | 1192 |
| Head of Provider Services | 994 |
| Head of Commissioning & Partnership | 954 |
| Divisional Director Children and Young People | 1056 |

A recent informal evaluation of the Divisional Director of Housing (linked to the wider review of Housing management grades) also indicated that the score had moved up close to the boundary of D2.

13. Most recently HR was requested to job evaluate a draft revised job description for the Director of Legal & Governance Services. The

¹ Only one appointment has been made at CD1 and for a relatively short duration, the post holder later being moved on to CD2.

outcome of that evaluation, which is the subject of a separate report to the COEP on this agenda, highlighted these issues and prompted consideration of the changes recommended within this report.

14. The organisational changes that we are making now and planning for the future require that our pay structure has the flexibility to ensure we can continue to equitably reward people according to the size and complexity of their role.
15. The current senior management pay scales (D1 – CD2) include an overlap between the pay ranges for D2 and CD1 and as a consequence there is a significant difference between the pay ranges for CD2 and other senior management grades as shown in table 1 below.

Table 1

| Grade | Number of Pay points | Bottom | Top | Range |
|--------------|-----------------------------|---------------|------------|--------------|
| D1 | 5 | 80,513 | 94,930 | 14,417 |
| D2 | 5 | 100,668 | 113,325 | 12,657 |
| CD1 | 4 | 111,606 | 119,343 | 7,737 |
| CD2 | 5 | 122,922 | 138,252 | 15,330 |

Recommended Changes

16. To provide greater consistency in the pay ranges for the current senior management grades D1 to CD2 the following changes are recommended:

- i. **Deleting the bottom pay point of £111,606 in the current CD1 pay scale**

This removes the current overlap between the D2 and CD1 pay scales

- ii. **Moving the bottom CD2 pay point into the CD1 pay scale and creating a new top pay point in CD1 of £125,326**

This extends the CD1 pay scale to 5 pay points and makes the pay range within the grade more consistent with that at other grades.

The effect on the CD 2 pay scale is to reduce the number of pay points within the grade from 5 to 4 making the bottom pay point £126,612 and making the pay range within the grade more consistent with that at other grades as shown in table 2 below.

- iii. **Changing the grade titles for CD1 and CD2 to D3 and D4**

This removes the connection between these grades and the Corporate Director job title, avoiding any future confusion between role and grade.

Table 2

| Grade | Number of Pay points | Bottom | Top | Range |
|--------------|-----------------------------|---------------|------------|--------------|
| D1 | 5 | 80,513 | 94,930 | 14,417 |
| D2 | 5 | 100,668 | 113,325 | 12,657 |
| CD1 (D3) | 4 | 113,622 | 125,326 | 11,704 |
| CD2 (D4) | 4 | 126,612 | 138,252 | 11,640 |

The current and recommended revised senior management pay scales are set out in full at Appendix B

Other options considered

Market Factor Supplements

17. Harrow operates within the wider local government labour market which, like all labour markets, is subject to regional variations. Pay rates in this market have traditionally been set through the established national and regional negotiating machinery. However, this is increasingly changing as authorities seek to establish more flexible pay structures to better support their local circumstances and changing needs.
18. The increase in private sector delivery models and greater integration across the public and third sectors has created wider competition for local government talent. This is particularly true in London, where organisations competing for local government talent include London Regional bodies e.g. GLA, LDA, TfL, London Councils; national bodies and central government departments e.g. LGA, Ofsted, DCLG, DfE and professional bodies e.g. CIPFA, SOLACE.
19. Importantly, the diversity of local government jobs means that the labour market is variable between different professions and roles e.g. the market for childrens' QSW has been highly competitive for many years, with high levels of demand nationally. In contrast, the demand for Environmental Health Officers, Planners and Transport Engineers has been more variable, in line with legislative and economic activity in these areas.
20. In order to attract and retain suitably competent staff in difficult labour markets the Council uses market supplements to enhance the pay for specific jobs. Market factor supplements are only agreed in response to a business case which demonstrates the market requirements and are reviewed at least annually, which ensures equity and minimises the risk of equal pay issues. Market factor supplements should not be used to address grading issues.

Timing

21. The Council has tasked the Chief Executive with undertaking a review of the senior management structure. This is likely to involve changes

in senior management roles and potentially job size, which will require job evaluation and potentially result in grade changes. If we are considering changes to the senior management pay scales, it would be better to do so prior to the review, so that both staff and the Council are clear about the pay impact of any potential changes in grade.

Implications of the Recommendation

22. The revised pay scales for the senior management grades will be implemented with effect from 1 March 2015 and where relevant the pay rates for staff adjusted accordingly.
23. Corporate Directors currently appointed on the CD2 pay scale are all paid above the bottom pay point and therefore would not be affected by its deletion.
24. There are currently no employees paid on the CD1 grade. However, there is a separate report on this COEP agenda, which requests the COEP agree a revised job description and change of grade for the Director of Legal & Governance Services. The new job description has been evaluated at CD1(D3) and the post holder would therefore be affected by the recommendation.

Equalities impact

There are no equalities implications arising from the recommendations in the report. The Council's use of job evaluation to determine grading and pay for senior management and other employees ensures equity and minimises the risk of equal pay issues.

Legal comments

Of the current staff, only the Director of Legal and Governance Services is affected by these proposals. To avoid any potential conflict of interest, I had access to external solicitors for advice if required. Senior Officers' pay is for the COEP to determine and in this case there are no potential knock on implications for redundancy payments.

Financial Implications

Changing the grading structure will have a financial impact if posts are regraded and fall into the higher banding.

The budget to pay for any such increase in pay will need to be found from within existing budgets and as such will require an equal offsetting saving.

Section 3 - Statutory Officer Clearance

Name: Simon George



Chief Financial Officer

Date: 9 February 2014

Name: Linda Cohen



on behalf of the
Monitoring Officer

Date: 18 February 2014

Section 4 - Contact Details and Background Papers

Contact:

Jon Turner, Divisional Director of HR, Development & Shared Services

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Council's Pay Policy Statement 2014/15

The following extracts from the Council's published pay policy set out the current policy position for the remuneration of Senior Management (Chief Officers)

'The Council defines its senior management as the top 3 tiers in the management structure commencing with the Chief Executive (Tier 1), Corporate Directors (Tier 2) and Directors (Tier 3), this includes all statutory and non-statutory Chief Officer and Deputy Chief Officer posts.'

'The Council's policy is to minimise the senior management pay bill. The pay rates and numbers of senior managers reduced in 2012/13 and the vacant post of Chief Executive was advertised on a salary less than the previous Chief executive received.'

'The Council may, in exceptional circumstances, employ senior managers under contracts for services.'

Pay Grading

'In 2004 the Council entered into a single status agreement with its recognised trade union, introducing common job evaluation schemes² and pay scales for the Council's former manual workers, administrative, professional, technical and clerical employees with the exception of Education Psychologists, Nursery Nurses, Youth & Community Workers, Chief Officers and the Chief Executive. In 2007 job evaluation was extended to include Chief Officers.'

'From April 2013 the Council took over specific public health functions from the NHS and staff who transferred from the NHS to the Council remain on NHS grades and pay scales. New posts are being recruited to on the local government grades and pay scales.'

Performance Related Pay

'Council employees including the Chief Executive and Chief Officers do not currently receive performance related payments or bonuses.'

² The Greater London Provincial Council (GLPC) Scheme is used for all Harrow grade jobs and the Hay Scheme for senior professional and managerial jobs.

Appendix B

**CURRENT PAY SCALES
SCALES**

PROPOSED REVISED PAY

| | | | | | |
|------------|---|----------------|-----------|---|----------------|
| | 1 | 80,513 | | 1 | 80,513 |
| D1 | 2 | 84,088 | D1 | 2 | 84,088 |
| | 3 | 86,946 | | 3 | 86,946 |
| | 4 | 90,208 | | 4 | 90,208 |
| | 5 | 94,930 | | 5 | 94,930 |
| | | | | | |
| | 1 | 100,668 | | 1 | 100,668 |
| D2 | 2 | 103,722 | D2 | 2 | 103,722 |
| | 3 | 106,806 | | 3 | 106,806 |
| | 4 | 110,010 | | 4 | 110,010 |
| | 5 | 113,325 | | 5 | 113,325 |
| | | | | | |
| | 1 | 111,606 | | | |
| CD1 | 2 | 113,622 | | 1 | 113,622 |
| | 3 | 117,717 | D3 | 2 | 117,717 |
| | 4 | 119,343 | | 3 | 119,343 |
| | | | | 4 | 122,922 |
| | | | | 5 | 125,326 |
| | 1 | 122,922 | | | |
| | 2 | 126,612 | | 1 | 126,612 |
| CD2 | 3 | 130,314 | D4 | 2 | 130,314 |
| | 4 | 134,226 | | 3 | 134,226 |
| | 5 | 138,252 | | 4 | 138,252 |
| | | | | | |