

# MUNICIPAL YEAR 2006/2007 REPORT NO. 165

**MEETING TITLE AND DATE:**  
Cabinet Report – 22.11.06

**REPORT OF:**  
Assistant Director Human Resources

Contact officer and telephone number:  
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**Agenda - Part:** 1

**Item:** 11

**Subject:**

Review of Senior Managers' Salary Structure

**Wards:**

**Cabinet Member Consulted:** Cllr Rye

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## 1. EXECUTIVE SUMMARY

This report reviews the Council's current salary provisions for Chief Officer and Senior Manager posts across the Council. It proposes some revisions to the current provisions as well as the adoption of a performance related pay model which will establish a direct link between an individual's appraised level of performance and progression through the appropriate salary range.

## 2. RECOMMENDATIONS

That Cabinet agree

a)

b) the adoption of performance related pay arrangements for Chief Officers and other Senior Managers;

c) the adoption of the salary ranges set out in Appendix 1 for Chief Officers and other Senior Manager posts with effect from 1 December 2006 which are in line with median market levels.

## 3. BACKGROUND

3.1 The Council's Chief Officers' salary structure was reviewed in 2003 when an interim arrangement was implemented following the adoption of the new organisational structure of the Council. That review was necessary to bring the then salary ranges for Chief Officers in line with

upper quartile market rates across London as indicated by the Chief Officers' Pay and Benefits' Survey compiled by London Councils (formerly ALG) in September 2002.

- 3.2 Since the original review, the increasing London-wide demand for high calibre managers with the capability to develop and deliver continually improving cost effective services has resulted in a further tightening of the recruitment market and a corresponding upward pressure on salary levels across London. Hay benchmarking data for local government, reported salary levels and recent press advertisements for a variety of Chief Officer/Senior Manager vacancies across London Councils (set out in Appendix B) all indicate salary levels that are significantly higher than the Council's current salary ranges which have now fallen below the benchmark median.
- 3.3 The need to address this has been recognised by Members in setting the base budget for 2007 and the medium term plan. To date, to ensure the Council is able to retain staff it has become increasingly necessary to augment salaries with a range of market factor salary supplements and other ad hoc payments. To continue with this policy would expose the Council to an increasing risk of an equal value challenge.
- 3.4 While the original review brought salaries in line with those in other London Boroughs, it did not address the fact that for a number of years the Council had not had any objective analytical method for determining the relative gradings of senior management roles across the Council. This lack of objectivity now leaves the Council exposed to a risk of an equal value challenge.
- 3.5 Against this background and with advice from the Hay group, work has been ongoing to develop a salary structure for Chief Officers and other Senior Managers that would not only support the recruitment and retention of good calibre managers, but would also link pay progression to individual performance and motivate and incentivise managers to continually strive to improve both the efficiency and the quality of the services they manage.
- 3.6 To address all the above issues, the revised pay and grading structure will need to
  - i. attract and retain good quality staff;
  - ii. ensure that the pay levels are in line with the median of other London Boroughs and competitive in the relevant recruitment markets;
  - iii. ensure that reward is based solely on the extent to which individual managers have delivered the agreed corporate and service objectives;

- iv) incentivise staff to maintain high levels of performance even when the maximum of the consolidated grade has been reached;
  - v) minimise the risk to the Council of an equal value challenge.
- 3.7 The Hay Group is a leading company in the field of staff remuneration. The Hay approach to job evaluation has already been adopted by a number of other London Boroughs e.g. Westminster, Barnet, Camden, Bromley, Southwark etc as an appropriate method for objectively justifying the relative gradings of staff. Unlike other job evaluation schemes currently in use, the Hay scheme does not rely on numbers of staff managed as a measure of the size of the job. Using the Hay scheme, all Chief Officer and other Senior Manager jobs have been evaluated by Hay staff and in house teams trained in the application of the Hay evaluation scheme, to determine the appropriate grade levels, while independently compiled Hay benchmarking data and salary data drawn from recent London Borough job advertisements have been used as a basis for establishing appropriate salary ranges. The salary ranges proposed are aligned with the median salary ranges as indicated by the Hay benchmarking data and are set out in Appendix A. Setting salary ranges at the market median, rather than the upper quartile is considered to be a reasonable approach given the current circumstances.
- 3.8 The new salary ranges will have two parts, a lower part where performance related salary progression is consolidated and upper range which offers the opportunity for staff who perform exceptionally to receive a performance payment. This payment will not be consolidated into the basic salary and will only be paid where performance exceeds expectations.
- 3.9 Progression through the salary ranges and any performance payments will be determined solely by appraised performance. The current time served incremental progression currently enjoyed by some Senior Managers will be ended.
- 3.10 Assimilation to the new grades will in general subsume all other payments currently made and will be accompanied by variations to Senior Managers' conditions of employment which will withdraw the right to take time off in lieu under the current flexible working arrangements, where this still applies and will require participation in the civil contingency emergency planning rota.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Retain current pay and grading arrangements. This would be likely to create both recruitment and retention problems for the Council which in time would have a detrimental impact on service provision.

4.2 Continue with the current policy of addressing recruitment and retention issues through the application of market supplements and other ad hoc payments. This option not considered viable for the reasons outlined in the report.

## **5. REASONS FOR RECOMMENDATIONS**

The recommendations made are those considered necessary and proportionate to ensure the Council is able to attract and retain good quality staff. The recommendation will also make a significant contribution to changing the organisational culture of the Council by establishing a direct link between the performance of senior managers and their pay progression. This will aid the embedding of performance management practices into the corporate culture.

## **6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

6.1.1 The additional net cost to the General Fund of the proposals set out in this report are estimated at £625k in a full year at 2007/08 prices. However, this will be affected by the implementation of the proposals and the specific grades and spinal column points attributed to individual posts.

6.1.2 The estimated costs are after taking into account:

- The budget provision for the relevant staff for emergency planning standby as these payments will be subsumed within the new salary grades;
- Existing budget provisions set aside to fund current market supplements and honoraria;
- An assessment of the extent to which costs can recharged outside the General Fund e.g. the capital programme, the HRA and the Schools Budget and grant funded programmes. In total, this is estimated at approx. £50k. This level of recharge could potentially be higher than this once the effect of the allocation of central support costs is taken into account.

6.1.3 It should be noted that the cost of implementation will be phased in over a number of years. There is some provision in the budget (£284k in a full year) that will meet part of the cost of implementing the pay scales. The ultimate net impact on the budget could therefore be of the order of £341k in future years.

6.1.4 Given that the effect of the proposals will be phased in and will be influenced by the implementation arrangements, CMB is of the view that this cost can be met from within existing departmental budgets.

6.1.5 It should be noted that the costings assume that the performance related element of the proposals would be self funding, though further work is needed to develop the mechanism by which this can be achieved.

## **6.2 Legal Implications**

The Local Government Act 1972 empowers the Council to appoint and remunerate such officers as it thinks fit for the proper discharge of its functions. Adoption of the recommendations set out in paragraph 2(a) and (b) will assist the Council in attracting and retaining high calibre managers who can contribute to the implementation of the council's best value obligations. Further, adoption of the recommendations will reduce the Council's potential exposure to equal value claims.

## **7. PUTTING ENFIELD FIRST**

The recommendations will contribute to the delivery of excellent success.

## **Background Papers**

**Proposed Grading Structures – Senior Managers**

Grade	Current Range	Proposed Salary Range	Public Sector Upper Quartile Include PRP
		85% consolidated 100% non-consolidated	
Chief Executive	£142,382 - £160,514	£153k → £180k + up to 10% PRP	£238
Directors	£99,665 - £112,286	£110k → £130k + up to 10% PRP	£168
Assistant Directors	£74,966 - £85,910	£84k → £98k + up to 10% PRP	} £110
	AD1	£75k → £88k + up to 10% PRP	
	AD2	£67k → £79k + up to 10% PRP	
	AD3		
Head of Service	£50,601 - £53,049	£51k → £60k + up to 10% PRP	} N/A
SM5	HOS1		
	£47,334 - £53,049	£47k → £54k + up to 10% PRP	
SM4/5	HOS2		

## Recently Reported and Advertised Salary Levels for Chief Officers

<b><u>Chief Executive Posts</u></b>		
	Barnet	£180k + PRP
	Haringey	£180k + PRP
	Wandsworth	£204k + PRP
	Camden	£180k + PRP
	Brent	£180k + PRP
	Bromley	£184k + PRP
	Harrow	£167k + PRP
	Havering	£160k + PRP

Typically 20% PRP in addition to basic salary

### **Director Posts**

Deputy Chief Executive – Brent Environment	£150k
Director of Schools & Learning – Westminster City Council	£130k
Director of Adult, Culture & Community Services – Haringey	£125k
Director of Urban Environment – Haringey	£130k
Deputy Director of Children & Family Services – Hillingdon	£120k
Director of Adult & Community Services – Barking & Dagenham	£125k
Director of Children Services & Learning – Hounslow	£125k
Directors – Barnet	£135k
Directors – Wandsworth	£150k
Directors – Bexley	£150k
Directors – Camden	£145k
Director of Finance – Kingston	£130k
Executive Director – Urban Living – Harrow	£130k
Executive Director – Children & Family Services – Kensington & Chelsea	£133k
Executive Director – Finance – Lambeth	£130k

Typically 20% PRP in addition to basic salary

### **Assistant Director Level Posts**

Director – Children & Young People Services – Bromley	£110k
Assistant Chief Executive – Policy & Communication – Waltham Forest	£90k
Business Effectiveness Director – Ealing	£82k
Director of Strategy & Commissioning – Islington	£89k
Assistant Chief Executive (Organisational Development) - Hammersmith & Fulham	£98k
Deputy Director – Schools Standards - Haringey	£88k
Assistant Chief Executive – Legal Services – Hounslow	£100k
Director Legal & Democratic Services – Lambeth	£100k
Director of Community Protection – Westminster	£90k
Director of Housing – Westminster	£105k
Deputy Town Clerk – Corporation of London	£107k
Service Director – Adult Support Services – Ealing	£100k
Deputy Director of Finance – Brent	£88
Head of strategy, Commissioning & Performance – Newham	£93k
Head of Safeguarding – Hillingdon	£90k

Head of Education for Communities – Waltham Forest	£84k
Head of Strategic Housing & Regulatory Services – Lewisham	£85k
Assistant Director, Specialist Children Services & - Safeguarding – Southwark	£100k
Head of Adults Services – Newham	£95k
Service Head, Children's Social Care – Tower Hamlets	£95k
Service Head, Strategy Commissioning & Partnership – Tower Hamlets	£95k
Deputy Head of Adult Services	£81k
Head of Adult Commissioning – Barking & Dagenham	£86k
Assistant Director of Social Services (Community Care) – Wandsworth	£103k
Assistant Director Corporate Programmes & Facilities Management - Hackney	£90k
Executive Head Policy & Communication – Sutton	£87k
Head of Adult Social Care – Lewisham	£85k
Assistant Director Human Resources – Ealing	£82k
Assistant Director – Finance, Business Management – Westminster	£90k
Service Head Strategy Commissioning & Partnerships – Tower Hamlets	£95k
Head of ICT – Hounslow	£80k
Assistant Director – Resources & Planning – Hounslow	£80k
Assistant Director – Young Persons & Community Learning – Hounslow	£90k
Chief Planning & Regeneration Officer – Redbridge	£85k
Assistant Director – Access & Inclusion – Camden	£95k
Chief Personnel Officer – Redbridge	£90k
Assistant Director (Resources) – Children Service Department - Hammersmith & Fulham	£83k
Head of Strategic Finance – Waltham Forest	£96k
Head of Legal Services – Tower Hamlets	£109k
Head of IT – Brent	£85k
Head of Audit – Wandsworth	£92k
Service Head – Street Management – Tower Hamlets	£85k
Head of Public Relation – Newham	£92k
Head of Older Peoples Services – Hillingdon	£80k
Head of Adult Services – Hillingdon	£80k
Service Head – Major Project Development – Tower Hamlets	£85k
Assistant Finance Director – Southwark	£86k
Head of Customer First – Hammersmith & Fulham	£95k
Assistant Director Social Services, Community Care – Wandsworth	£95k
Divisional Director – Culture – Croydon	£80k
Finance Divisional Director – Corporate Finance – Lambeth	£86k
Director of Property Services – Harrow	£105k
Director of Human Resources – Tower Hamlets	£109k
Director of Human Resources – Corporation of London	£90k

Typically 10% PRP in addition to basic salary

Data mainly drawn from London Councils – job vacancy Pay Monitor