

MUNICIPAL YEAR 2016/2017 REPORT NO. 158

MEETING TITLE AND DATE:

Cabinet -14 December 2016

REPORT OF:

Assistant Director Human Resources

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Agenda - Part: 1

Item: 12

Subject:

Senior Job Pay Structure and Titles

Wards:

Key Decision No:

Cabinet Member consulted: Cllr Lemonides

1. EXECUTIVE SUMMARY

This report reviews the current pay structure for senior leaders in the Council and recommends changes to assist the development of an organisation structure which will deliver value for money services with fewer resources. Changes along these lines were agreed by the Remuneration Committee on 13 October 2016 and are designed to enable the Council to compete in the recruitment market to recruit and retain high calibre senior leaders and provide effective succession planning.

2. RECOMMENDATIONS

With effect from 1 January 2017:

- i. The four posts of Director are renamed as Executive Directors to better reflect the organisational requirements of officers at this level.
- ii. To reintroduce an intermediate grade of Director (where it is externally validated that the job size requires this grade) to meet the need to provide additional capacity to Executive Directors with wide spans of control.
- iii. To agree an external evaluation process to determine whether any new or existing posts should be graded at the new levels and the Director level posts should be subject to ratification at the Council's Remuneration Committee.

With effect from 1 April 2017:

- iv. To reintroduce an intermediate grade of Head of Service 3, (where it is externally validated that the job size requires this grade) to recognise the increased responsibilities and demands at this level resulting from the reduction in the number of managers.

3. BACKGROUND

- 3.1 The pay structure for senior managers in the Council has now been in place for over 10 years and the structure was extended to include middle managers with effect from 1 April 2011. Given that the landscape in local government has changed considerably over this period of time, with significant budget reductions and the implementation of new delivery models, it is an opportune time to review whether the current pay structure is fit for purpose i.e. it succeeds in recruiting and retaining good quality staff.
- 3.2 The pay structure has seven levels as detailed in Appendix 1. The Head of Service to Chief Executive level has 26 incremental points and MM1/2 has 25. Progression is only possible if the postholder meets their objectives from the previous appraisal year. The top 10 increments are not consolidated so postholders will have to maintain or increase their performance for the next year to maintain their entitlement to their increments. This means that the top 10% of pay is 'pay at risk' which adheres to the recommendations of the Hutton report on senior pay. The pay rates are based on the national JNC rates which are nationally negotiated and posts are evaluated using the Hay evaluation scheme. The Hay scheme focuses on outcomes and more readily recognises technical expertise compared to the traditional local government job evaluation schemes. It therefore supports the culture Enfield is seeking to promote.
- 3.3 Senior and middle manager salaries are based on JNC pay rates. Between 2008 and 1 January 2015, the JNC pay rates were frozen and salaries over £100k have been frozen to 1 April 2016. The salaries for staff graded below MM1 are set in accordance with NJC rates. NJC pay rates have been increased during the reference period, 1% in 2009, 1% in 2013 and 2.2% in 2015, with a backdated lump sum. The combined effect of this is that staff on NJC pay and conditions have seen their salaries increase by 3% more than JNC staff on salaries less than £100k and 5% for staff on £100k or more. This has served to reduce differentials between managers and the staff they manage and reduce the competitiveness of Enfield managers' salaries against other London Councils who use the NJC pay rates to determine their managers' salaries.
- 3.4 London Councils conduct an annual survey of senior and middle manager salaries (2014/15 attached as Appendix 2). This survey shows that salaries at the Assistant Director and Head of Service levels (third and fourth tier management) have now fallen behind the median in London. Since 1 January 2015, the Council has lost two Assistant Directors to Camden and nine Heads of Service. This trend is particularly worrying as Enfield moves to increase spans of control and increase responsibility for managers. The Enfield 2017 organisation model is predicated on the principle of delivering 'more with less'. To make this happen, it is imperative that the Council employs the highest

quality managers and that competitive reward packages are paid to secure their employment.

- 3.5 As the Council is restructured, some managerial posts will increase significantly in size and magnitude. The Enfield 2017 model provides for five levels of management above the front line, Chief Executive, Directors, Assistant Directors, Heads of Service and Middle Managers. The Hay grades and titles reflect this restructure; there are visible gaps between the Director & AD ranges and AD & HOS. The problem arises where employees' positions expand to a point where they are above the designated grade but is insufficient to be regraded to the next level. Over the last 10 years, the Council has reduced the number of management grades up to Directors from eight (SM1-5, three Assistant Directors grades) to five (MM1, MM2, HOS1, 2 and Assistant Director). The rationale behind this approach has been to assist in the delayering process and prevent grade drift, where employees constantly seek to acquire new duties to push their grades up to the next level when they are near the top of the grade. This second point has now dissipated as the Council has moved to an outcome focused culture where staff focus on the priorities for the Council and on what they need to do to deliver a service not the size of their empire. Given this, consideration should be given to whether new grades should be introduced between the levels to accommodate positions which fall between two grades. This option would not be introducing a new layer of management; it merely reflects the fact that within each management level there are differences in the scope and accountabilities for positions.
- 3.6 In 2014, the number of Directors was reduced from five to four and since that time, the number of functions the Council is responsible for have increased e.g. Council Housing has returned to the Council, the regeneration agenda has increased. In some cases this has served to significantly increase the number of reports to a Director. Where this is the case, this may inevitably draw the Director into operational areas to the detriment of their corporate, cross cutting strategic accountabilities. To address this issue, it is recommended that the pay range previously allocated to grade AD1 which fell out of use in 2009 due to the reasons outlined in paragraph 3.5 should be reactivated. This range can be used for the new position of Director.
- 3.7 The new post would report to current Directors playing a key strategic role creating capacity for the current Directors to focus on driving corporate strategic outcomes. The additional post will enable the Council to compete in an extremely competitive market and recruit and retain high calibre officers to deliver the Council's agenda. It will also provide opportunities for effective future succession planning. To complement this change, the current post of Director will be retitled Executive Director to emphasise the corporate strategic accountabilities at this level. This post title is commonly used in London with eight councils and 18 senior officers currently utilising this title. Also, this

senior pay structure is similar to the Croydon model which is a large outer London council with a comparable population and challenges.

- 3.8 As the new Director posts will be paid at a higher rate (Appendix 3) the creation of such a post will require a business case which demonstrates that it will provide value for money. To ensure that there is objectivity in the evaluation process and the Council taxpayer obtains value for money, it is recommended that any Director posts can only be put forward for evaluation with the agreement of the relevant Executive Director and the Assistant Director Human Resources. If they so agree, the posts will be evaluated by an external expert body. If it is recommended that the post is graded at the new Director level, then the case will be referred to the Remuneration Committee. The decision of the Remuneration Committee will be final.
- 3.9 There are similar organisational demand requirements at the Head of Service level. With the reduction in number of senior managers, some Heads of Service have wide ranging portfolios and there will be a need to provide additional support for Assistant Directors as decision making is pushed down the organisation. To accommodate posts which fall above the Head of Service 2 grade it is recommended that a higher HOS3 grade be created, using the former AD3 pay range which is no longer used (rates contained in Appendix 3). This grade will be used for posts where it can be demonstrated that there is a higher level of cross cutting responsibilities and there is a requirement to deputise for the Assistant Director and/or there is a higher level of expertise and/or the consequences of the outcomes delivered are significant for the Council. These newly created posts will be subject to the same evaluation controls as the new Director posts save for there will not be a requirement for Remuneration Committee ratification.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Given the retention problems identified in paragraph 3.4, maintaining the status quo in the senior leadership pay structure could hinder the Council's ability to attract high quality candidates who can lead and manage the successful delivery of services with reduced resources in the future.
- 4.2 Implementing an across the board pay uplift at the Assistant Director and Head of Service level would be extremely costly and potentially controversial in the current climate of austerity and job losses. Any pay uplifts will need to be objectively justified and targeted in areas where there is an organisational or business need.

5. REASONS FOR RECOMMENDATIONS

To provide capacity in the pay structure to support the development of an organisation structure which enables the delivery of value for money services with fewer resources.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

As detailed in paragraph 3.8, any request to utilise the reactivated grades will require a sound business case which demonstrates value for money. The assumption will be that unless there are exceptional circumstances, there will be a budget saving accruing. This could involve the reduction of posts or the post requirements result in the Council being able to attract more income/funding or increased productivity.

6.2 Legal Implications

6.2.1 S112 Local Government Act 1972 empowers the Council to appoint such officers as it thinks necessary for the proper discharge by the authority of such of their or another authority's functions as fall to be discharged by them.

6.2.2 An officer appointed under subsection (1) above shall hold office on such reasonable terms and conditions, including conditions as to remuneration, as the authority appointing him think fit. The Council therefore has the power to reactivate the grades as set out in this report.

6.2.3 In reactivating the grades and reevaluating posts, the Council should adhere to all applicable policies and procedures.

6.3 Property Implications

None

7. KEY RISKS

7.1 As detailed in paragraph 3.7, the reintroduction of additional grades may generate widespread demands for the re-evaluation of posts. This risk will be mitigated by the requirement for the new posts to be supported by a sound business case, implementation of an external process to evaluate posts at this level and the new Director level posts will be subject to ratification by the Remuneration Committee. Where the new post is going to be externally advertised, it will be subject to a rigorous member selection and assessment process. To ensure consistency where there is an existing internal officer for the newly created post, they will also be required to undertake an external assessment process to confirm whether they possess the necessary competencies to undertake the role.

- 7.2 There is a risk that once appointed to one of the new grades, the senior officer will not deliver to the new agenda and provide value for money. If this proves to be the case, the Council needs to ensure that appropriate performance management procedures are implemented.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

The reintroduction of additional grades will provide opportunities for career progression. The introduction of an external evaluation process will ensure objectivity and fairness.

8.2 Growth and Sustainability and Strong Communities

Ensuring the Council has the appropriate pay structure for senior managers should enable the Council to recruit and retain the best managers with a view to providing services to the community which stimulate growth in the local economy and build strong communities.

9. EQUALITIES IMPACT IMPLICATIONS

There will be a limited number of posts available at the additional grades and they will be subject to an external evaluation exercise. Prior to the implementation, a productive equality impact assessment will be undertaken.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

The new grades are designed to enable the Council to attract and retain high quality leaders who can raise performance levels throughout the Council. As detailed in paragraph 7, if the performance of the postholder does not provide value for money then the appropriate performance management procedures will need to be implemented.

11. PUBLIC HEALTH IMPLICATIONS

The reactivation of the grades provides a tool to enable the Council to recruit and retain high calibre officers who will be able to assist in the delivery of the public health agenda.

Background Papers

None

Senior and Middle Management Pay Structure – April 2016

Chief Executive	£162,708 - £210,564
Director	£117,516 - £152,076
Assistant Director	£81,141 - £102,945
HOS2	£55,323 - £71,592
HOS1	£48,813 - £65,085
MM2	£44,529 - £56,955
MM1	£36,072 - £46,140

Comparative Pay Rates in London 2014/15

	Total Package Minimum (£)	Total Package Maximum (£)
Chief Executive		
Enfield	161,097	189,528
London Median	171,065	189,087
London Upper Quartile	179,380	195,000
PRP		
Enfield	0	18,951
London Median	1,896	18,550
Directors		
Enfield	116,352	136,884
London Median	115,530	131,757
London Upper Quartile	126,849	144,188
PRP		
Enfield	0	13,686
London Median	1,365	10,084
Assistant Directors		
Enfield	80,337	94,515
London Median	87,780	102,000
London Upper Quartile	94,914	110,451
PRP		
Enfield	0	7,410
London Median	924	9,264
Heads of Service		
Enfield	48,330	64,440
London Median	61,360	71,959
London Upper Quartile	72,517	80,673
PRP		
Enfield	0	6,444
London Median	642	6,444

Proposed New Grades

Director = £95,000 - £116,000

Head of Service 3 = £70,000 - £85,000