

<b>EMPLOYMENT COMMITTEE</b>	AGENDA ITEM No. 5
<b>3 FEBRUARY 2014</b>	PUBLIC REPORT

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## REVIEW OF SENIOR MANAGER PAY SCALE FOLLOWING CONSULTATION

R E C O M M E N D A T I O N S	
<b>FROM :</b> Advisor to HR	
<p>It is recommended that Employment Committee considers the response to consultation with senior managers on the proposed Senior Manager Pay Scale and reaches a decision regarding:</p> <ul style="list-style-type: none"> <li>➤ The implementation of the proposed Senior Manager Pay Scale.</li> <li>➤ The recommendation to develop a progression-related pay mechanism for senior managers.</li> <li>➤ The recommendation to award pay protection for senior managers on the terms set out in this paper.</li> <li>➤ The implementation of the proposed Senior Manager Job Evaluation Appeal Process.</li> <li>➤ The implementation of the proposed Guidance on assigning senior manager salaries.</li> <li>➤ The assignment of new job titles for senior management posts.</li> </ul>	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Employment Committee following the decision taken by Employment Committee at their meeting on 11 October 2013, to commence consultation with senior managers at Peterborough City Council, regarding the implementation of a revised pay scale.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Employment Committee with an overview of the consultation process, the feedback received from senior managers and the measures proposed as a result of the consultation process.
- 2.2 Specifically, this report sets out recommendations regarding the development of a pay-progression mechanism for senior managers and the implementation of a period of pay protection for senior managers. These recommendations have been developed taking into account the feedback received during the consultation process.
- 2.3 In addition, this report sets out the proposed Job Evaluation Appeal Process and Guidance on Assigning Salaries documents, which have been developed in response to the consultation output, to provide clarity for senior managers. These documents are submitted for review and approval by Employment Committee.
- 2.4 This report is for the Committee to consider under its Terms of Reference No. 2.3.1.4 'To determine local terms and conditions of employment for employees'.

### 3. **TIMESCALE**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If Yes, date for relevant Cabinet Meeting	N/A
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### 4. **BACKGROUND**

- 4.1 Attached at Annex 1 is the pay scale proposal considered by Employment Committee on 11 October 2013. The purpose of this proposal was to seek permission from Employment Committee to commence consultation with senior managers on a revised senior management pay scale, which better reflects market conditions and provides flexibility to remunerate staff within a series of pay bands set at the market median +/- 10%. It was noted that the current pay structure for senior managers was considerably out of date having not been reviewed for some time. The applicable pay band for a post is determined by the point score achieved through external evaluation of the job description by independent Hay consultants.
- 4.2 At its meeting on 11 October 2013, Employment Committee agreed that consultation could commence in accordance with agreed Council policies.
- 4.3 It was further agreed that following consultation with senior management staff, the pay proposal would be reviewed again by Employment Committee for final determination, along with feedback from the consultation process.

### 5. **CONSULTATION PROCESS**

- 5.1 To commence the consultation process, all senior managers were written to and provided with a copy of the consultation paper, setting out the existing and proposed senior manager pay scales and the reasons for the proposals. Senior managers were provided with an indicative timetable for the consultation process and the consultation document clearly set out options for them to provide feedback; either in writing to the Head of HR or by requesting a 1:1 meeting to discuss their concerns. Please refer to Annex 2 for the consultation paper sent to senior managers on 18 October 2013.
- 5.2 Although no trade unions are officially recognised for consultation purposes for senior managers, the proposal was shared with the Council's Joint Consultative Forum (JCF) at their meeting on 17 October 2013, in advance of the consultation commencing.
- 5.3 In accordance with Council practice, consultation took place for a period of at least 30 days, commencing on 18 October 2013 and closing on 18 November 2013.
- 5.4 During this period individuals had the opportunity to request a 1:1 meeting, or to submit feedback in writing or verbally. Out of a total of 33 senior managers remunerated on the senior manager pay scale, the following response was received:
- Three individuals requested a 1:1 meeting with the Chief Executive.
  - Two individuals requested a 1:1 meeting with the Head of HR.
  - The Head of HR was invited to attend a team meeting with a group of senior managers, to address questions regarding the proposals.
  - Five individuals submitted questions or comments by email to the Head of HR.
  - Four individuals submitted feedback that they were content with the proposals.
- 5.5 Following the close of consultation, the Chief Executive wrote to all senior managers on 22 November 2013 to thank them for their feedback and to advise that she was considering her response.

- 5.6 The Chief Executive issued her response to consultation to senior managers on 23 December 2013. Please refer to Annex 3 for this document, which details the feedback submitted during the consultation process and the Chief Executive's response.

## **6. CONSULTATION FEEDBACK**

- 6.1 A number of common themes emerged from the feedback provided by senior managers on the proposal to revise the senior management pay scale. These are summarised underneath (with a detailed overview and response provided in Annex 3):

### **6.1.1 Proposed Pay Scale**

A few managers felt that it was difficult to provide meaningful feedback on the proposed pay scale as they did not know what impact the implementation of this pay scale will have on their individual pay; until an individual's post has been evaluated and a point score assigned, the individual will not know which salary band is applicable to their post or where they will be placed within that band.

Furthermore those managers queried how pay decisions would be made i.e. what factors would be considered when determining where an individual is placed within a pay band. Queries were raised as to whether the default position would be to place individuals on the median pay point within the relevant pay band and whether guidance was available to underpin the setting of salaries.

### **6.1.2 Progression within Pay Bands**

A concern was raised by some managers that the consultation document had not proposed a mechanism for pay review / progression within the salary bands following appointment to post, unless the individual took on additional responsibilities.

A few managers felt it was important to have some mechanism to recognise and reward any additional skills, expertise and competencies an individual might develop in post, which would directly improve their performance and effectiveness.

A concern was raised by some that the absence of a pay progression mechanism could lead to inequalities in remuneration across the senior manager population over time and the potential for equal pay claims.

### **6.1.3 Process for Implementation, Timescale and Appeal Process**

A few managers sought clarification regarding the process that would be implemented in relation to the evaluation and scoring of their posts and the determination of their salary and questioned the degree of input they would have to this process.

They felt it was important that the process of writing and agreeing their job description was collaborative, with managers having the opportunity to comment on their job description before it is submitted for external evaluation by Hay.

Managers also wanted to understand whether they would have the opportunity to contest the outcome of the job evaluation process through an appeal process and if so, how this process would work.

Many managers enquired about the 'effective date' for the implementation of the revised pay scale, if it is adopted, and wanted to understand when any change of pay would be applied.

#### 6.1.4 Pay Protection

A number of managers queried whether pay protection would apply to any decrease in pay as a result of the job evaluation process / implementation of the revised pay scale and if so, the terms of any such protection.

#### 6.1.5 Comparative Benchmark Data

A few managers commented that they thought benchmarking should have been against a local government comparator only. They were not convinced that not-for-profit organisations were a relevant comparator group and were concerned that the inclusion of this sector would result in a lowering of the market median on the pay scale.

#### 6.1.6 Impact of Pay Structure on Lower Pay Bands

Some managers were concerned that the savings that had been committed to through the senior management restructure would be achieved through efficiency savings and a decrease in the lower salary bands on the proposed pay scale, with less impact on the pay bands for more senior staff.

#### 6.1.7 Communication

Managers appreciated the transparency provided through the consultation document, whereby details of the Hay point scores and salary bands was shared. Many noted that this information had not been widely available previously.

### **7. RESPONSE TO CONSULTATION**

7.1 As a result of the constructive feedback received from senior managers during the consultation, the Chief Executive has decided to put forward the following proposals for Employment Committee's consideration:

- Employment Committee is asked to approve the implementation of the proposed pay scale based upon the market median (50<sup>th</sup> percentile) with a band width of +/-10%.
- As where an individual sits on the pay band is not determined by the title of their post but by the points awarded through the job evaluation process, it is proposed that the designations of 'Chief Executive', 'Director 1 – 3' and 'Head of Service 1 – 3' are removed from the pay bands and replaced with a numerical system (i.e. pay band 1 – 7).
- In response to concerns raised by senior managers that once assigned to a pay point within a pay band, there is no opportunity within the proposed pay structure for pay to be reviewed (unless there is a change of role resulting in a re-evaluation), it is recommended that work is undertaken to develop a progression-related pay mechanism for senior managers.

Should Employment Committee approve this recommendation, a proposal will be developed and submitted to Employment Committee, providing details of the proposed pay progression scheme and its operation. Approval would be sought from Employment Committee at this stage to commence consultation with senior managers on the proposal.

It is anticipated that any such scheme would be based upon performance (assessed through the individual's annual Performance Development Review) and that the PDR form would be shared with Employment Committee, to assist in their determination of any award.

- It is proposed that Employment Committee considers awarding pay protection to senior managers, whose salary decreases following the implementation of the revised pay scale and job evaluation process, on the same terms as set out in the Council's Redundancy Policy i.e. 12 months full pay and 6 months half pay.
- In response to queries from senior managers about the applicable process for appealing the outcome of job evaluations, a Senior Manager Job Evaluation Appeal Process has been developed (Annex 3, Page 24).

It is recommended that Employment Committee approves the implementation of this process, to ensure that all appeals are dealt with in a consistent, fair and transparent manner.

- To ensure a consistent and demonstrable approach to allocating salaries within pay bands, it is proposed that Employment Committee approves the Guidance document (Annex 4), which has been designed by the Hay Group for Peterborough City Council based upon good practice for public sector organisations.
- It is also recommended that Employment Committee agrees in principle a consistent approach to the allocation of job titles for senior managers, whereby Tier 1 posts are designated as Executive Director or Director, Tier 2 posts are designated as Assistant Director and Tier 3 posts have a title which reflects the role undertaken e.g. Service Manager / Head of Service. This suggested approach to job titles will ensure transparency across the Council in relation to our senior managers and should assist our customers and partners in identifying levels of responsibility within the organisation.

## **8. IMPLICATIONS**

- 8.1 If the revised pay scale is implemented and all senior manager salaries are reviewed following the evaluation of the applicable job description, it is inevitable that there will be some upward and downward movement in relation to salaries for individuals.

Those managers who take on additional responsibilities as a result of changes in the organisation are likely to see an increase in pay. Others may experience a decrease in pay as a result of adjustments to the proposed pay scale to reflect market conditions and/or a change in point score for their re-evaluated post.

- 8.2 To ensure the independence and integrity of the job evaluation process, job descriptions for senior managers will be reviewed and evaluated externally by Hay to determine the applicable salary band. Senior managers will have the opportunity to contribute to and agree their job description before it is submitted for evaluation, to ensure that it is accurate and reflects the responsibilities and accountabilities of the role. (The Senior Manager Job Evaluation Process is set out in Annex 3, Page 23.)
- 8.3 The implementation of the proposed Senior Manager Job Evaluation Appeal Process (Annex 3) will ensure that all senior managers have the opportunity to formally appeal their job evaluation outcome. This is an important part of the process, as the score allocated during the job evaluation process determines the applicable salary band. Given the technical expertise of the Hay consultants and the rigour of their evaluation process, any appeal will ultimately centre on the job description accuracy and organisational context rather than the technical scoring.

- 8.4 Once the job evaluation outcome is agreed and the salary band identified, salaries will be set in accordance with the Guidance document (Annex 4). The adoption of the Guidance document will promote a consistent, transparent and defensible framework for determining senior manager pay.
- 8.5 Salaries for Tier 1 and Tier 2 posts within the organisation will be set by Employment Committee. Salaries for all other senior managers will be approved by the Chief Executive. The Chief Executive's oversight of setting salaries for all senior managers will further aid consistency and comparability of salaries across the Council.
- 8.6 Senior managers who wish to contest the salary allocated within the relevant pay band following the job evaluation process will have the opportunity to raise a grievance under the Council's Grievance Policy.
- 8.7 The development of a pay progression mechanism proposal will enable Peterborough City Council to recognise the skills and experience, which post holders develop in post and which contribute to improved performance.

A pay progression mechanism should also minimise the potential for equal pay claims, which might otherwise develop in a static pay system over time.

## **9. FINANCIAL IMPLICATIONS**

- 9.1 In any pay review there will be winners and losers however no significant financial implications are expected from the implementation of the proposed pay scale. The implementation of the senior management restructure and a voluntary redundancy exercise has already led to the deletion of six senior management posts, resulting in a saving of £687,553 over the last year on senior manager salaries. It is anticipated that a second phase of restructuring will lead to further savings.

## **10. CONSULTATION**

- 10.1 The consultation process has been set out in Section 5. Individual consultation has taken place for 30 days with each senior manager impacted by the proposal to revise the Senior Management Pay Scale in accordance with Council policies.
- 10.2 Senior managers who are subject to alternative terms and conditions (e.g. Agenda for Change / Soulbury) were excluded from this consultation exercise, as no change has been proposed to their remuneration.
- 10.3 Senior managers will be advised of the outcome of the consultation process once Employment Committee has reached a decision regarding the implementation of the proposed pay scale and the other recommendations.

## **11. ANTICIPATED OUTCOMES**

- 11.1 If the proposals suggested in this paper are adopted, Peterborough City Council will have a senior management pay scheme, which:
- Is based on a pay scale which has been properly tested against the market and reflects market conditions across the local government and not-for-profit sectors.
  - Promotes public accountability, transparency, fairness, consistency and equality in our job evaluation and remuneration processes for senior managers.
  - Promotes pay progression based on evidenced performance linked to an individual's annual Performance Development Review and which is subject to oversight by elected members.

- Aids the recruitment and retention of high-calibre staff, whilst enabling budgetary control in difficult financial circumstances.
- Ensures senior managers are remunerated fairly but are not compensated above the market rate for equivalent roles.

## **12. REASONS FOR RECOMMENDATIONS**

- 12.1 These proposed changes are to ensure the Council operates within frameworks that are lawful, best practice, transparent and consistent whilst ensuring that pay for senior managers is competitive, that the pay scales allow flexibility when recruiting and retaining staff and that there is an equitable and transparent process for determining senior management pay.

## **13. ALTERNATIVE OPTIONS CONSIDERED**

- 13.1 One option considered was to continue to use the existing senior manager pay scale without making any changes. However the Council is aware that the current pay structure for senior managers is out of date and does not reflect market conditions, which means that it does not provide an effective means of determining remuneration. In particular, the rigid structure of five pay points within each current pay band does not provide the Council with flexibility to align pay with the skills and experience of senior managers. These factors mean that there is a significant risk of equal pay issues within the existing pay scale.

- 13.2 Consideration was also given as to whether designing the pay scale around the 50<sup>th</sup> percentile with a band width of +/- 10% was the most appropriate position for Peterborough City Council. It was determined however that the proposed positioning around the market median would allow sufficient flexibility for the Council to attract candidates without creating a model which would be financially unsustainable in the current economic climate, if based on a higher percentile point.

## **14. BACKGROUND DOCUMENTS**

- 14.1 In accordance with the Local Government (Access to Information) Act 1985, background papers used in the preparation of this report were:-

- Peterborough City Council Pay Policy Statement 2013/14
- Peterborough City Council Redundancy Policy
- Peterborough City Council Grievance Policy

- 14.2 The individual consultation responses referred to in this report are the result of personal and confidential correspondence between senior managers, Human Resources and the Chief Executive.

There is no obligation to disclose those responses in this section as they disclose exempt information, that is, information relating to, or likely to reveal the identity of an individual. As these are background documents, and not a part of the report, there is no obligation to include them in an exempt report – paragraph 8.1.2 of the Constitution – Access to Information rules – applies.

## **15. ANNEXES**

- Annex 1: Employment Committee Report  
(Proposal to Review Senior Manager Pay Scale)
- Annex 2: Senior Manager Pay Scale Consultation (18 October 2013)

- Annex 3: Feedback re Senior Manager Pay Scale Consultation  
(Including Senior Manager Job Evaluation Appeal Process)
- Annex 4: Guidance re Setting Senior Manager Salaries