



CHIEF OFFICER PAY PANEL

Monday, 12th March, 2012
(Adjourned from 1st March 2012)

6.00 pm

Town Hall, Watford

Publication date: 7 March 2012

CONTACT

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Pat Thornton (Minicom available on 01923 278499).

Welcome to this meeting. We hope you find these notes useful.

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COMMITTEE MEMBERSHIP

Councillor G Derbyshire (Chair)

Councillors S Greenslade, C Leslie, D Scudder and N Shah

AGENDA

PART A - OPEN TO THE PUBLIC

- 1. APOLOGIES FOR ABSENCE**
- 2. DISCLOSURES OF INTEREST**
- 3. MINUTES**

To submit for signature the minutes of the meeting held on 26 August 2009.

- 4. PAY POLICY STATEMENT 2012/13 (Pages 1 - 30)**

Report of the Head of Human Resources

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WATFORD BOROUGH COUNCIL

HR POLICY: PAY POLICY STATEMENT 2012/13

REPORT TO THE CHIEF OFFICERS PAY PANEL

MONDAY 12TH MARCH 2012

1. INTRODUCTION

- 1.1 The council's success relies on the talent and contribution of its workforce enabling and ensuring it meets its objectives. Our Pay Policy seeks to ensure the council is able to attract, recruit, retain and engage the right people in order to achieve this.
- 1.2 The Pay Policy pulls together all the elements that make up the council's reward practices. It provides assurances of our consistency, fairness and transparency and gives clarity to all our stakeholders about how and what our people are rewarded for. It defines the level and elements of remuneration for Chief Officers, and all Senior staff, in accordance with the requirements of section 38(1) of the Localism Act 2011.
- 1.3 The Localism Act 2011 requires the Council to publish its position in relation to specific areas of chief officers pay as follows : - remuneration levels, all other payments, incremental progression, performance related pay, bonus payments, redundancy, severance/compensation, and retirement payments, and the council's policy on the re-engagement of chief officers, by 31st March 2012. .. This pay policy statement sets out the Council's position in these areas.
- 1.4 The council employs 421 officers that represents a full time equivalent based on a 37 hour week of 391.03.
- 1.5 The turnover for the council for the financial year 2012 2013 is estimated to be £115,110,000
- 1.6 Best practice recommends the council consults a remuneration committee on all proposals relating to pay and reward for Senior Officers thus ensuring openness and accountability. The Council already has a Chief Officer pay panel
- 1.7 This policy will be reviewed and approved annually by Full Council, and may be accessed via the council's external web site.

2. SCOPE OF THE POLICY

- 2.1 The policy applies to all Chief Officers.
- 2.2 The definition of Chief Officers (as set out in section (43(2)) of the Localism Act 2011 is not restricted to Heads of Paid Service and Directors. It also includes all other Senior Managers (statutory and non statutory officers) who report directly to them and to their direct reports termed as Deputy Chief Officers. That is the Head of Paid Service (MD), Executive Directors and all direct reports.
- 2.3 The Council postholders who fall within the definition of Chief Officers are as defined within the Councils Constitution and are shown in the following table:

Head of Paid Service	Managing Director
Executive Directors	Executive Director – Resources Executive Director – Services
Heads of Service	Head of Strategic Finance (Section 151 Officer) Head of Legal and Property Services (Monitoring Officer) Head of Environmental Services Head of Planning and Development Head of Community Services Head of ICT (shared with Three Rivers District Council) Head of Human Resources (shared with Three Rivers District Council) Head of Finance (shared with and employed by Three Rivers District Council) Head of Revenue and Benefits (shared with and employed by Three Rivers District Council)
Section Heads/Deputy Chief Officers	Section Heads that report directly to Officers outlined above.

- 2.4 The remuneration of the Managing Director, Executive Directors and Heads of Service was the outcome of an independent review by the Local Government Employers organisation in June 2009 and is shown at Appendix 5. The remuneration of all other posts were subject to a Pay and Grading review conducted in 2009. The agreed pay bands are attached as appendix 3

3.0 TERMS AND CONDITIONS OF SERVICE

- 3.1 The council's Chief officers, i.e. the MD, Executive Directors, Heads of Service (non Shared Services) and statutory Officers are engaged on JNC national terms and conditions of service.
- 3.2 The council's Shared Heads of Service and Section Heads/ Deputy Chief officers, i.e. those who report directly to Heads of Service, are engaged on NJC national terms and conditions.
- 3.3 It should be noted that different national negotiating machinery applies across the Senior management team.

4. PRINCIPLES

- 4.1 The Reward policy reflects the aspirations of the council's strategic road map and defines the council's approach to managing reward that is guided by the following principles
- 4.2 All council officer jobs are job evaluated using an analytical job evaluation scheme to allocate points to posts and establish relativity between all posts in the organisation.
- 4.3 The council reviews appropriate external pay market information to ensure remuneration levels are consistent with Local Government, provide value for money for the taxpayer, and support the council to remain competitive as an employer in areas of skills shortage.
- 4.4 If appropriate, market factors are applied to hard to fill posts. Where applied these supplements are reviewed annually in accordance with the market factor policy.
- 4.5 The MD receives a spot salary the level of which was determined at appointment.

- 4.6 Cost of living inflation increases for Chief Officer pay scales are awarded in accordance with the Joint National Council for Chief Executives and Chief Officers. Chief Officers are remunerated according to the pay scale applicable to their job, within a four grade pay model. Each grade has four incremental spinal column points, (see appendix 2). Progression within each grade is time based and subject to satisfactory performance where appropriate awarded annually to the top of the grade, effective from 1 April.

The independent review of June 2009 has ensured that the pay scales of Chief officers are comparable to rates of pay for similar jobs in similar sized local authorities in the outer London and Home Counties area.

- 4.7 Deputy Chief Officers, i.e. Section Heads are remunerated within the top three grades of an eleven grade pay model. Each grade has five incremental spinal column points, (see appendix 3).
- 4.8 The remuneration of a Chief Officer on recruitment will be at a point on the relevant pay scale for the job appropriate to their experience and salary level in the previous job.
- 4.9 It is not the policy of the Council to award bonuses to its Chief Officers.
- 4.10 The council is committed to the principle of fairness; is clear about what people are being paid for, and is consistent, systematic and transparent when applying reward practices. Pay models have been developed based upon appropriate pay market information and ensure that the ratio of pay levels between the highest paid officer and the median/ mean average/ low paid earnings in the council remains consistent and is not distorted as a result of pay awards.
- 4.11 The Council's lowest paid employees are those postholders whose jobs are graded in the lowest pay band, which is Band 3 in and 11 band pay model. Jobs are evaluated using the Local Government Job Evaluation scheme.
- 4.12 Resignation. The Chief Officer last entitlement to pay will be the last day of service, taking into account notice period and any period of pay in lieu of notice.

Redundancy or early termination in the interests of the service and Pension Benefits of Chief Officers will be made in accordance with the Council's Redundancy and Pensions policies as agreed by Functions Committee on March 2007 (Pensions) and January 2008 (Redundancy)

5. EQUALITIES

- 5.1 The council is committed to equality of opportunity. All members of staff will be treated fairly based on ability, performance and contribution irrespective of their employment or contractual status and personal circumstances, i.e. part time, fixed term. The council monitors equalities data and this policy shall be applied fairly, consistently and equitably for all employees irrespective of race, gender, disability, age, offending past, caring or dependency status, religion or belief, sexual orientation, or gender identity and it is incumbent on those managing this policy to ensure that this is the case.

6 GRADING

6.1 Chief Officers – MD, Directors and Heads of Service

- 6.2 **Job Evaluation** – posts are job evaluated by the LGE/ Hay Senior manager job evaluation scheme. The LGE Salaries and numbers survey provides the source of comparative pay information and posts are remunerated in accordance with the JNC guidance for equivalent local authorities. Levels of remuneration are based on the upper quartile of salaries defined in the LGE Salaries and Numbers survey and reflect the relatively compact management

structure and the complexity of providing shared services across multiple councils. Salaries reflect the full range of duties within the role including any requirement for out of hours working and include a £1,200 per annum local market weighting factor encompassed to cover this.

6.3 Deputy Chief Officers - Section Heads

6.4 Job evaluation – All posts are job evaluated using the Local Government Job Evaluation Scheme (LGJES). The scheme is used to evaluate all non Chief Officer posts in the council, ensuring relativity between all council posts covered by NJC terms and conditions. The job evaluation policy should be consulted for further information.

6.5 Pay model - The pay model is presented in appendix 3

6.6 Labour market information - The Croner Reward Job Evaluation system and the Croner Market Pay analysis for Public Services provides the source of comparative pay information for all officer posts in hard to fill and areas of skills shortages within the council. Market supplements currently apply to the following Deputy Chief Officer roles and are reviewed annually in accordance with the Market Factor policy –

Development Section Head
Housing Section Head
Finance Manager
Property Section Head

6.7 All other posts in the council

6.8 All other officer posts are job evaluated using the Local Government Job Evaluation Scheme (LGJES), and graded within one of the pay Bands in the 11 grade pay model in appendix 3. No council post is graded below Band 3. Where appropriate posts attract a market supplement and the market forces payments policy should be consulted for further information.

6.9 Market factor supplements apply to the following non Deputy Chief Officer posts in the council

Community Safety Manager
Planning Policy Manager
Senior Solicitor
Principal Management Surveyor
Property Manager
Senior Auditor

7 INCREMENTS

7.1 Posts receive annual time based increments effective on 1 April until remuneration reaches the top of the grade.

7.2 On appointment, all posts will normally be remunerated at the lowest incremental spinal column point within the grade.

7.3 The council will apply the annual cost of living percentage increment as negotiated by the NJC national agreement to the values of incremental spinal column points as appropriate. However, there has been no nationally or locally negotiated cost of living rise since 2009.

8 ADDITIONAL PAYMENTS

- 8.1 London Weighting (LW) – is the inner fringe London Weighting Allowance and is negotiated as part of the national framework. LW is an additional payment that is made to all officers in the council, and the rate is negotiated nationally by NJC.
- 8.2 Chief Officers' Travel Allowance (TA) - £300 per annum is a local allowance paid to all Chief Officers and Heads of Service (but not the Head of Paid Service). The TA payment is intended as compensation for travel around Hertfordshire and London, and travel expenses for such business journeys may not be claimed.
- 8.3 The Head of Paid Service receives additional payment for duties as Clerk to the West Herts Crematorium, and fees for Returning Officer duties during elections as and when appropriate.

9 PERFORMANCE RELATED PAYMENTS AND BONUSES

- 9.1 The council does not operate a performance related payments scheme.

10. LOCAL GOVERNMENT PENSION SCHEME

- 10.1 All officers are eligible to join and contribute to the Local Government Pension Scheme. Officer contribution rates are a percentage of their earnings. Levels of contribution are stated by the scheme, and are based on the whole time equivalent value of all contractual pay excluding any travel allowance payments. The employer's contribution to the scheme is 26.8%.

Band	Range (whole time equivalent)	Contribution Rate
1	£0 - £12,900	5.5%
2	More than £12,900 up to £15,001	5.8%
3	More than £15,001 up to £19,400	5.9%
4	More than £19,400 up to £32,400	6.5%
5	More than £32,400 up to £43,300	6.8%
6	More than £43,300 up to £81,100	7.2%
7	More than £81,100	7.5%

- 10.2 The normal retirement age for the Local Government Pension scheme is 65.
- 10.3 With the exception of early retirement for the reason of permanent ill health (to which no age restrictions apply), the earliest age an officer can retire and receive pension benefits is 55.
- 10.4 Early retirement will only ever be granted in certain special circumstances and these are as follows:

Early termination of employment for the reason of redundancy
 On ill health grounds
 On compassionate grounds
 Request to go
 Efficiency of the service

- 10.5 The council's early retirement and early termination compensation policy applies and should be consulted for further information.

11 REDUNDANCY

- 11.1 In the event of redundancy, i.e. where a post to be vacated would not be replaced, the council pays a discretionary redundancy payment by applying a 2.2 multiplier to each week's redundancy pay, thus providing up to a maximum of 66 weeks' pay based on contractual pay.

The discretionary payment is not paid until 3 months have elapsed after leaving the council's employment.

- 11.2 Officers aged 55 and above will be eligible to retire in this circumstance and have access to their accrued pension benefit.

- 11.2 The council does not augment additional pension membership; however the Officer may elect to purchase additional LGPS pension membership with the discretionary payment. Full details are specified in the council's redundancy policy and this should be accessed for full details.

12 EARLY RETIREMENT FOR THE REASON OF ILL HEALTH

- 12.1 To qualify an officer must be confirmed by the Council's Medical Adviser as being permanently unable of discharging the duties of their employment because of ill health or infirmity and have a reduced likelihood of obtaining gainful employment before reaching age 65.

13 EARLY RETIREMENT ON COMPASSIONATE GROUNDS

- 13.1 To qualify an officer would have to have a compelling hardship or difficulty that would most usually be due to caring responsibilities.

14 SEVERANCE – EARLY TERMINATION OF EMPLOYMENT IN THE INTEREST OF EFFICIENCY TO THE SERVICE.

- 14.1 There may be situations that are initiated by management to facilitate organisational change where a post to be vacated would be replaced. The Early Retirement and Early Termination Compensation policy applies and should be consulted.

- 14.2 Where appropriate, the council will make a discretionary severance/ compensation payment by applying a 2.2 multiplier to each week's severance pay, thus providing up to a maximum of 66 weeks' pay based on contractual pay.

- 14.3 Officers aged 55 and above will be eligible to retire in this circumstance and will have access to their accrued pension benefit.

- 14.4 The council does not augment additional pension membership; however the Officer may elect to purchase additional LGPS pension membership with the discretionary payment. Full details are specified in the council's redundancy policy and this should be accessed for full details.

15. EARLY PAYMENT OF PENSION BENEFITS ON REQUEST TO LEAVE (ASK TO GO)

15.1 Criteria

Initiated by the employee who must be aged between 55 and 60. Employee submits a written request to the Head of Service stating grounds and case for consideration and first approval. The Head of Service and Head of Human Resources will then submit a report for approval by the Managing Director.

The rationale for agreement will include Improvement in organisational efficiency e.g. needs of job, new skills required, need to work in different ways, improved productivity.

An assessment of the strain on the pension fund in relation to the benefit obtained by the Council will be conducted. The strain cost would normally need to be recovered within 2 years of the retirement.

The post will be replaced

15.3 Benefits

Under 55

- Not available

Over 55

- Actuarially reduced accrued pension benefits
- No added years are awarded by the council

The Early Retirement and Early Termination Compensation policy applies and should be consulted.

16. FLEXIBLE RETIREMENT

- 16.1 This is subject to agreement by the council, providing an option for an officer to continue in employment post Local Government Pension Scheme retirement age and to take some or all of their Local Government Pension that is due to them whilst continuing to work on reduced hours or reduced pay. The benefit for the council is the ability to retain skills, knowledge and experience.
- 16.2 An abatement of pension will apply if the pay for the new post plus the LGPS pension they receive exceeds the value of the salary for the post from which they retired. London Pension Fund Association (LPFA) should be consulted for advice.

The Early Retirement and Early Termination Compensation policy and flexible retirement policy applies and should be consulted.

17 RE-EMPLOYMENT POST SEVERANCE OR REDUNDANCY

- 17.1 The re-employment of officers who were granted early retirement, are receiving their Local Government pension, or have received a severance/ compensation payment, or a redundancy payment is discouraged. The following criteria should be considered. Refer to the council's policy for early retirement/ early termination compensation for further information.
- What is the nature of the work to be undertaken?
 - How similar is the work to that formally undertaken by the individual?
 - Is it work that the individual could have been redeployed to?
 - The work should be a specific project or task where the skills/ knowledge set required is unique to that individual
 - The work should be such that it could not be undertaken by anyone else currently employed in the council

18 OFFICERS WHO HAVE RETIRED AND ARE IN RECEIPT OF PENSION

- 18.1 If an officer is in receipt of their Local Government Pension and returns to work for the council an abatement of their pension will apply if the pay for the new post plus the LGPS pension they receive exceeds the value of the salary for the post from which they retired. LPFA should be consulted for advice.
- 18.2 Flexible retirement subject to agreement by the council provides an option for an officer to continue in employment post retirement age and to take some or all their pension working on reduced hours or reduced pay. The flexible retirement policy should be accessed for full information.

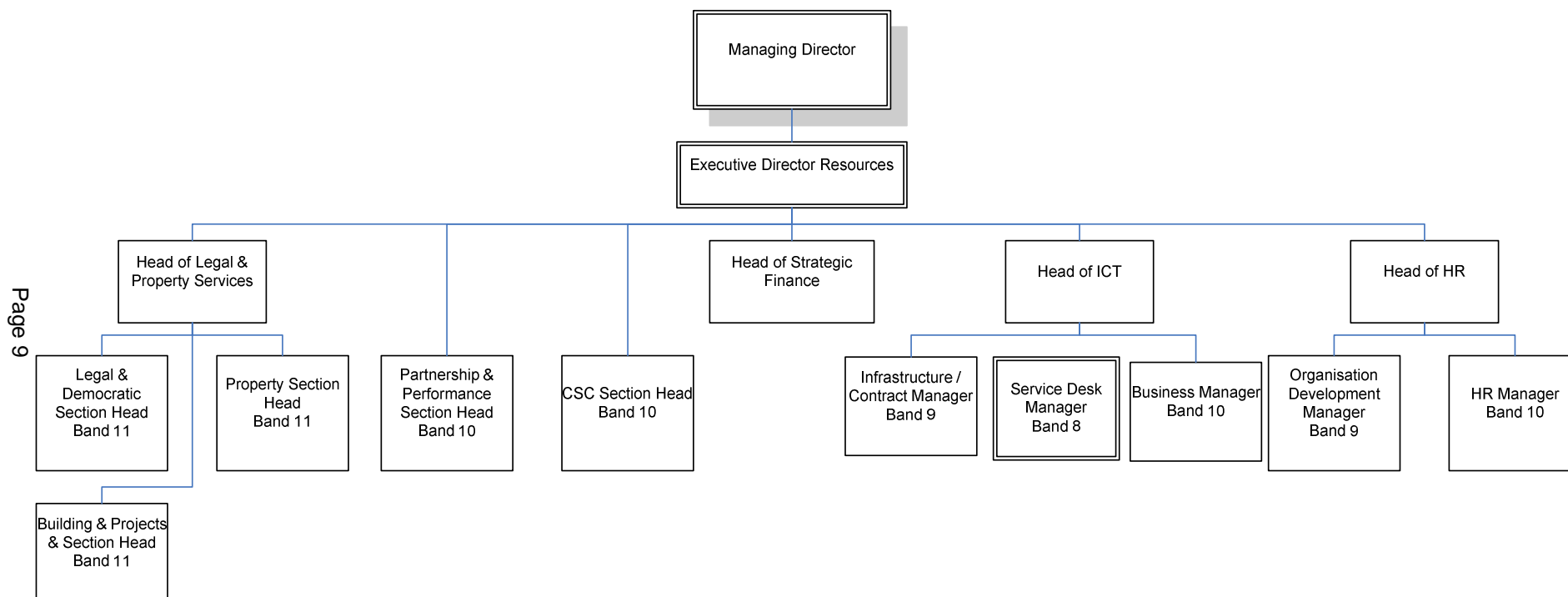
19 PAY RELATIVITY AND LOWER PAID STAFF

- 19.1 The council is committed to the principle of fairness when setting pay levels for all officers. All jobs are job evaluated meaning each has an analytical score providing its relative value in the organisation and each job is linked to a defined pay model.
- 19.2 The council defines its lowest paid staff as those whose posts are graded on the lowest grade in the pay model. Pay rates are based on whole time equivalent salaries.
- 19.2 The mean average earnings in the council are £25,472, giving a ratio with the highest paid officer of 1:5.3. The median earnings in the council are £32,277, giving a ratio with the highest paid officer of 1:4.2, and the lowest earnings in the council are £16,054 giving a ratio with the highest paid officer of 1:8.4.
- 19.3 The lowest pay band on the pay model is not in use. The lowest scale point within this band is remunerated above national minimum wage level (see appendix 4). The lowest remunerated spinal column point gives a ratio with NMW of 1:1.36.
- 19.4 Cost of living pay increases in the council are awarded consistently in line with those negotiated nationally by NJC. An analysis of pay awards for the previous 5 years is provided at appendix 4.

Appendix 1

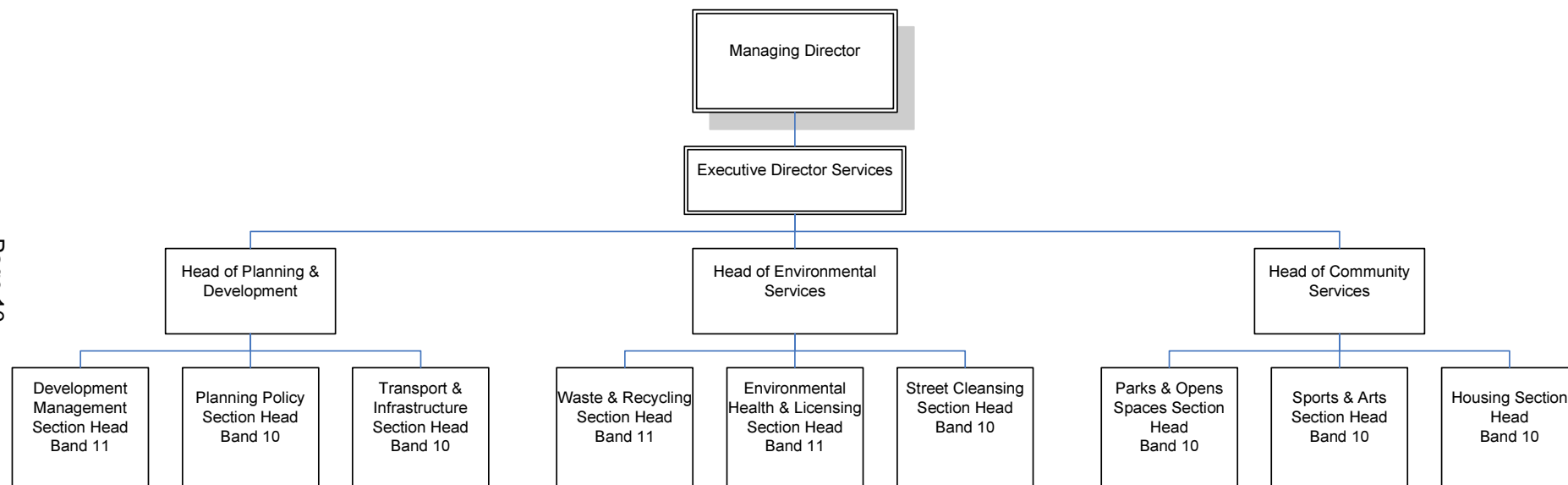
Watford Borough Council

Resources



Watford Borough Council

Services



Managing Director		
Corporate Accountabilities	Management Accountabilities	Personal Accountabilities
<ul style="list-style-type: none"> Supporting the delivery of the Mayor's and the council's strategies and policies. Assuring understanding, acceptance and support for the Mayor's Executive role Transacting the Mayor's, Cabinet and Council decisions Advising the Mayor Advising Members Managing the Officer/Political interface Aligning corporate values with Political direction Aligning strategic direction, corporate planning and resource allocation Budget strategy Defining / delivering priorities Structural and Cultural change Supporting Strategic Partnerships Leading on performance management Corporate values Strategic Direction Officer/Member interface Advising Members Defining/delivering priorities Structural and cultural change Budget strategy Management standards Strategic Partnerships <ul style="list-style-type: none"> Ensuring effective communication – up, down and outwards 	<ul style="list-style-type: none"> Carrying the Mayor and Cabinet agenda through the Management Team Articulating the Mayor and Cabinet agenda in corporate and service objectives Delivering these objectives Giving managerial leadership at all times Managing the corporate and service management matrix Alignment of cross-cutting programmes with substantive plans Setting management standards Setting the tone and style Ensuring good communications - up, down and outwards Challenging departmental absurdities Resolving conflict Management of Executive Directors: <ul style="list-style-type: none"> Appraisals Agreement of objectives Reviewing performance Conflict resolution Service integration Direction of cross cutting programmes 'Setting the tone'/style Tight/ loose management 	<ul style="list-style-type: none"> Being a personal aide and confidant to the Mayor. Leading by example Promotion of Watford Promotion of good public relations Enhancing Watford's influence locally, regionally, nationally and overseas. Enhancement of personal external profile Personal accountability for civil emergencies. Specific 'cross functional' projects or accountabilities <p>major physical developments</p> <p>complex procurement</p> <p>e-government</p> <p>regionalism</p> <p>cultural change</p> <p>local strategic partnership</p> <ul style="list-style-type: none"> PR and representation of Watford Borough Council Good external relations Enhancement of external profile of Watford Borough Council Personal development

Executive Director		
Corporate Accountabilities	Management Accountabilities	Personal Accountabilities
<ul style="list-style-type: none"> • Corporate values • Strategic Direction • Officer/Member interface • Advising Members • Defining/delivering priorities • Structural and cultural change • Budget strategy • Management standards • Strategic Partnerships • Ensuring effective communication – up, down and outwards 	<ul style="list-style-type: none"> • Conflict resolution • Service integration • Direction of cross cutting programmes • 'Setting the tone'/style • Management of Heads of Service: <ul style="list-style-type: none"> • Appraisals • Agreement of objectives • Reviewing performance • Tight/loose management 	<ul style="list-style-type: none"> • Specific 'cross functional' projects or accountabilities <p>major physical developments</p> <p>complex procurement</p> <p>e-government</p> <p>regionalism</p> <p>cultural change</p> <p>local strategic partnership</p> <ul style="list-style-type: none"> • PR and representation of Watford Borough Council • Good external relations • Enhancement of external profile of Watford Borough Council • Personal development

Executive Director		
Skills, abilities and attributes	Knowledge and experience	Personal qualities and other requirements
<ul style="list-style-type: none"> • The ability to lead, develop and improve service delivery in order to meet customer and organisational needs • Demonstrate confident and positive communication skills in a wide variety of settings and contexts • Ability to deliver excellent services • Ability to negotiate and create positive solutions with a variety of stakeholders • Commitment to the Council's priorities and vision for the town • Ability to effectively lead and manage resources, including budgets and people. • Ability to analyse complex data • Skilled project manager 	<ul style="list-style-type: none"> • Knowledge of up to date issues and innovation in the relevant service/professional area • An understanding of the workings of local government and how services can deliver the challenges facing the sector • Knowledge of performance management approaches • Experience of successfully managing change • Experience of working across professional and technical boundaries to make things happen • Experience of effectively managing budgets and achieving savings to maximise resources • A proven track record of delivering an effective service, at a senior management level • Politically sensitive, with experience and understanding of the role of elected representatives 	<ul style="list-style-type: none"> • Personal credibility with a high degree of integrity • A leadership style that reinforces commitment to motivating and developing others • A strong commitment to providing excellent services to the people of Watford • Strong commitment to the concept and value of public services, local government and community governance • The ability and commitment to equality and tackling discrimination in employment and service delivery • To attend meetings etc. outside normal working hours • A relevant professional accountancy qualification, including evidence of management development

Appendix 2

Chief Officer pay structure

1/04/09		Pay	TA	LW
Heads	1	62,000	300	798
	2	63,350	300	798
	3	64,705	300	798
	4	66,053	300	798
Heads +	1	67,404	300	798
(statutory officers)	2	68,110	300	798
	3	70,107	300	798
	4	71,458	300	798
Directors	1	91,563	300	798
	2	93,745	300	798
	3	95,929	300	798
	4	98,108	300	798
MD		135,105	N/A	N/A

Appendix 3

Pay Scale for Watford Borough Council & Shared Services

Band	Scale Point	£ per annum 1/04/09	Band	Scale Point	£ per annum 1/04/09
1	5	12,312	7	35	29,236
	6	12,489		36	30,011
	7	12,787		37	30,851
	8	13,189		38	31,754
	9	13,589		39	32,800
2	10	13,874	8	40	33,661
	11	14,733		41	34,549
	12	15,039		42	35,430
	13	15,444		43	36,313
	14	15,725		44	37,206
3	15	16,054	9	45	38,042
	16	16,440		46	38,961
	17	16,830		47	39,855
	18	17,161		48	40,741
	19	17,802		49	41,616
4	20	18,453	10	50	42,511
	21	19,126		51	43,406
	22	19,621		52	44,303
	23	20,198		53	45,207
	24	20,858		54	46,119
5	25	21,519	11	55	47,028
	26	22,221		56	47,980
	27	22,958		57	48,905
	28	23,708		58	49,817
	29	24,646		59	50,748
6	30	25,472			
	31	26,276			
	32	27,052			
	33	27,849			
	34	28,636			

Notes

Bands 1 and 2 are not used

All grades attract Local Weighting (LW) at nationally negotiated rate

Deputy Chief Officers are remunerated within the top 3 grades – 9 to 11

There has been no national pay award since 1 April 2009

Appendix 4

Summary of JNC/ NJC national pay awards previous 5 years

2007 2.475% - increase to spinal column point 4 to increase hourly rate to minimum £6 per hour*

2008 2.75% - plus increase to spinal column points 4, 5 and 6 of £100*

2009 1.0% - increase of 1.25% to spinal column points 4, 5, 6, 7, 8, 9, 10*.

2010 No pay award

2011 No pay award

* note that there are no posts in the council that are remunerated below spinal column point 15.

National Minimum Wage rates 1 October 2011

Adult rate	£6.08
18 – 20 yrs	£4.98
16 – 17 yrs	£3.68
Apprentice	£2.60

Appendix 5

AGENDA

ITEM **5**

Report to: Chief Officer Pay Panel
Date of meeting: 26 August 2009
Report of: Managing Director
Title: Chief Officer Pay

1.0 **SUMMARY**

1.1 To advise the Panel of an independent review of senior officer pay.

2.0 **RECOMMENDATIONS**

- 2.1 That the action of the Managing Director in relation to the former travel allowance be endorsed.
- 2.2 That the pay scales and incremental points as specified in para 4.12, exclusive of the new travel allowance, be agreed.
- 2.3 That the remuneration of the new Managing Director be noted.
- 2.4 That consideration be given of how to maintain effective liaison with the Recruitment Panel.

Contact Officer:

For further information on this report please contact Alastair Robertson, Managing Director
telephone extension: 8185
email: alastair.robertson@watford.gov.uk

Report approved by: N/A

3.0 **BACKGROUND**

- 3.1 The Chief Officer Pay Panel was established to keep senior pay under review. The meeting of 25 August 2005 agreed pay levels for Heads of Service and Directors and the meeting of 16 May 2006 agreed arrangements for the Managing Director. The Council was advised by the Local Government Employers (LGE) from whom it commissioned a report. The updated pay scales are attached as Appendix 1.
- 3.2 Since these reviews there have been changes to the organisational structure reducing the number of Directors, altering the responsibilities of some Heads, amalgamating the responsibilities of roles at Watford BC and Three Rivers DC in the case of shared services and creating a new role at Head level that includes the statutory S151 chief financial officer role. These changes mean that a review is due to ensure the Council is paying at the right level to recruit and retain senior management staff. In addition, the Shared Services Joint Committee wanted to create a pay structure for Heads that met the needs of both councils.
- 3.3 Panel members might be aware that for the rest of the staff, those on NJC conditions, job re-evaluation and a new pay model are being introduced in order to ensure that the Council fully complies with equal pay legislation. Under the former arrangements the top of the scale for NJC staff was extended to cover JNC staffs and at the very least there would have to be some change given the new pay model for NJC staff. There is also a “public relations” case for reviewing senior staff at a time when all other staff are being reviewed.
- 3.4 On 24 April 2009 the Council received an approach from LGE. It referred to the fact that the JNCs for Chief Executives and Chief Officers have promoted the use of a modified version of the Hay Job Evaluation methodology to local authorities considering job evaluation for those officers covered by the JNCs. The Hay scheme is very expensive to use and an arrangement between Hay and LGE provided local authorities access to a modified scheme at a more reasonable rate. It was still expensive and smaller councils, such as Watford, often chose not to use it and back in 2005 the Council paid LGE to use market research on pay rather than the HAY job evaluation scheme.
- 3.5 Hay had decided that it wanted to discontinue the arrangement whereby Hay and LGE consultants undertook joint assignments in local authorities. This had made such work very much more expensive so LGE had been working on a new methodology that could be used for the evaluation of posts covered by the two JNCs with the intention of promoting its use to local authorities as a much cheaper and local government specific job evaluation methodology that could be modified to suit local circumstances.
- 3.6 The Council was given the opportunity to become a trial site for the new scheme at a total cost of about £3,000. It was agreed to participate and to extend the offer to TRDC and to include all the shared services heads of service. A range of information had to be provided to LGE for each post in a standard format. A draft report was produced and discussed with the

Managing Director and then a final report, a copy of which is at Appendix 2 with its appendix at Appendix 3. These are commented on below.

- 3.7 The agreed pay of senior staff had a sum of £1,500 added several years ago. This was described as a travel allowance and meant that no claim for travel could be lodged if it related to Hertfordshire or London. However it was treated as pensionable pay. Problems arose and had to be resolved quickly as it affected the retirement pay of some staff and so the Managing Director dealt with the issue. This is explained in more detail below.

4.0 **DETAILS**

4.1 **Travel allowance**

This allowance predates the existence of the Panel and was not considered in any detail when the pay of chief officers was considered in August 2005. In the case of the Managing Director the same travel arrangements existed (no claims within Herts/London) but there was no additional payment as the spot salary was considered to include that travel element. Thus when a problem arose with the allowance the MD had no personal interest in the outcome.

- 4.2 The sum had been paid as if pensionable so staff paid pension contributions on it. The Herts Pensions Authority decided that it ought not to be pensionable as it was described as a travel allowance and unfortunately HR Payroll changed it accordingly without either consultation or even notification to the staff concerned. It came to light soon afterwards and created an urgent problem as one Head of Service was about to retire and other senior staff were potentially going to follow.

- 4.3 The Managing Director consulted with the LGE's pension's expert. It was clear that most of the allowance was misnamed "travel" as it had been and remained a general supplement aimed at easing recruitment and retention. It was also clear that an element was for travel within Herts/London. The advice was to divide the sum into £1,200, as a general employment allowance or market weighting factor and £300 to cover the travel element.

- 4.4 The proposal was put to the affected staff and agreed unanimously. It was backdated to allow continuity of pension with the staff paying their missed personal contributions. The appropriate tax treatment was instituted for the new split arrangement. The staff who were retiring were satisfied and those staff nowhere near retirement were also satisfied with the arrangement.

4.5 **LGE's new job evaluation scheme – Chief Officers**

The pilot job evaluation scheme was used by LGE to allocate points to posts and the results are shown in Appendices 2 and especially 3. The next stage was to allocate points to grades and the report proposes four grades, one for the Head of Paid Service, one for Directors and two for Heads with one of those for the two statutory officers – Monitoring Officer and S151 Chief Finance Officer. The only change from the current situation is that it takes the S151 post into the same category as the Monitoring Officer post and that has basically come about because the former postholder was the Director of Finance before that post was deleted.

- 4.6 As there is a spread of points for the Heads it could be argued that they

should be combined in a different way but the proposal has merit and when consulted, none of the Heads objected to it.

- 4.7 The LGE report then uses the Local Government Employers' Salaries and Numbers Survey of 1 April 2008 to propose salaries for each of the four grades. It should be noted that these are not directly comparable to the pay in Appendix 1 as the latter includes the national annual pay uprating which was 2.45% but had not been agreed when the Survey was compiled. In other words the Survey understates the position. The report then proposes rounded minimum and maximum salaries for each of the four grades.
- 4.8 In reviewing the job evaluation and pay model for the rest of the staff, which included taking advice from specialist job analysts and checking the final proposals with an employment QC, it became apparent that there were too many scale points within some of the grades. Good practice requires there to be no more than five spinal column points within a grade. The current salary scales, see Appendix 1, have seven points for Directors, four for Heads + and five for Heads. Some rationalisation is warranted.
- 4.9 The table below brings together the current position from Appendix 1 with the proposed position from Appendix 2. In both cases a travel allowance has been excluded as that lump sum is recompense for expenses incurred. The LGE report implied there would be incremental points but did not specify them. The suggestion put forward retains approximately the same incremental differences as now to facilitate comparison. It can be seen that current pay is slightly above the proposed pay but when it is recalled that 2.45% needs to be added to the proposal to make a valid comparison, it can be seen that current pay is very much in line with the market except for the lower increments for directors.

4.10

	Spinal column point	Total salary less TA £		New Grades	Total salary less TA £
Heads	62	60,633		CO3	60,000
	63	61,981			61,250
	64	63,331			62,500
	65	64,686			63,750
	66	66,034			65,000
Heads +	67	67,385		CO2	65,000
	68	68,091			66,667
	69	70,088			68,334
	70	71,439			70,000
Directors	74	84,999		CO1	
	75	87,182			
	76	89,364			
	77	91,544			90,000
	78	93,726			92,500
	79	95,910			95,000
	80	98,089			97,500

4.11

There is no point in the practice of numbering spinal column points for Chief Officers as a continuation of the pay model for other staff. Chief Officers (and Chief Executives) have separate national negotiating machinery. The proposal below retains the existing salaries but drops one increment from the grade for Heads and three from the scale for Directors in order to make all grades four increments and to reflect the LGE proposal once updated for the 2008 national pay award. As stated in the LGE report these salary ranges are intended to be fully inclusive of all current allowances, except car provision/allowances. They are intended to remunerate the postholders for their full range of duties including any requirement to work outside of normal office hours. Accordingly, these scales will be increased by £300 as they omit any travel allowance and it is not proposed to amend the amount currently paid.

4.12

	Spinal column point	Total salary less TA £		New Grades	Total salary less TA £
Heads	1	61,981		CO3	60,000
	2	63,331			61,667
	3	64,686			63,334
	4	66,034			65,000
Heads +	1	67,385		CO2	65,000
	2	68,091			66,667
	3	70,088			68,334
	4	71,439			70,000
Directors	1	91,544		CO1	90,000
	2	93,726			92,500
	3	95,910			95,000
	4	98,089			97,500

4.13

The LGE recommends that postholders are assimilated onto their new salary range at the salary point within the new grade immediately higher than the current salary level. It is proposed to implement the new scales from 1 October 2009.

4.14

The LGE also suggests the possibility of extending the grades “for postholders undertaking duties in addition to the substantive accountabilities relating to the job, e.g. responsibility for management of ‘one-off’ projects” but that is part of the basic role at present. “Alternatively, the (extra) portion of the grade could be used to recognise exceptional individual performance, the acquisition of relevant competencies or specific market forces. One or two increments could be awarded annually on a non-consolidated basis to recognise these factors.” There is no market force case at present but that should be kept under review. It is not proposed that this idea be progressed at this time. If the Panel does want it pursued then it would be appropriate to raise it with the new Managing Director first.

4.14

LGE’s new job evaluation scheme – Chief Executives

The LGE report proposes a salary in the range of £120,000 to £130,000 but again that is before the 2.45% national award of 1 April 2008 which would increase the range to (rounded) £123,000 to £133,000. Removing £300 implied travel allowance from the basic salary paid to the MD (in order to make the comparison more accurate), gives £127,308 which indicates that the salary is in line with the market.

4.15

As referred to earlier the MD has been paid above the basic in recognition of performance and the Council’s wish to retain continuity through the period of major change. In view of his retirement and the need to recruit a successor, the Appointments Panel took advice from recruitment consultants and advertised the post at £120,000 with a willingness to pay more for an outstanding candidate. In view of the track record of the successful candidate and the Panel’s wish to secure an appointment, it

agreed to pay a salary of £135,000, for the full range of duties as Head of the Paid Service, including any requirement to work outside normal office hours and including the cost of all travel within Hertfordshire and London.

- 4.16 It is understood there was some informal discussion in advance of the appointment between the Appointments Panel and the Chief Officer Pay Panel about what would be acceptable. Generally the Appointments Panel will be able to recruit Heads, Directors and MD within the agreed pay scales but where that proves impossible and there is a wish not to lose a good candidate, there can be a need for a rapid negotiation to secure them. Some thought needs to be given to how the Pay Panel can be kept in the loop more formally.

6.0 **IMPLICATIONS**

6.1 **Financial**

- 6.1.1 The Director of Finance comments that the proposals are within budget both this year and next year.

6.2 **Legal Issues** (Monitoring Officer)

- 6.2.1 The Head of Legal and Property Services comments that the changes to the "travel allowance" have ensured compliance with HM Revenues and Customs and the implementation of the new job evaluation scheme is in line with equal pay legislative requirements.

6.3 **Equalities**

- 6.3.1 There are no equalities issues arising from this report. The job evaluation scheme rated posts and was equalities neutral.

6.4 **Staffing and Other Implications**

- 6.4.1 There are no implications other than those already highlighted. The two potential risks are:
- staff leaving as they are dissatisfied with the outcome and that is considered to be unlikely
 - difficulty recruiting to vacancies and there are unlikely to be many in the near future and salaries are competitive with the local market.

Background Papers

None

File Reference

None

Chief Officers' Pay Rates: 1 April 2008

Appendix 1

	Spinal column point	Basic salary £	LW £	GEA £	TA £	Total salary £	Total salary less TA £	Notes
Heads	62	58,664	769	1,200	300	60,933	60,633	Heads + This applies only if there are special factors, and currently only applies to the Monitoring Officer
	63	60,012	769	1,200	300	62,281	61,981	
	64	61,362	769	1,200	300	63,631	63,331	
	65	62,717	769	1,200	300	64,986	64,686	
	66	64,065	769	1,200	300	66,334	66,034	
Heads +	67	65,416	769	1,200	300	67,685	67,385	
	68	66,122	769	1,200	300	68,391	68,091	
	69	68,119	769	1,200	300	70,388	70,088	
	70	69,470	769	1,200	300	71,739	71,439	
Directors	74	83,030	769	1,200	300	85,299	84,999	LW is the inner fringe London Weighting allowance that is part of the national framework GEA is General Employment
	75	85,213	769	1,200	300	87,482	87,182	
	76	87,395	769	1,200	300	89,664	89,364	
	77	89,575	769	1,200	300	91,844	91,544	
	78	91,757	769	1,200	300	94,026	93,726	
	79	93,941	769	1,200	300	96,210	95,910	
	80	96,120	769	1,200	300	98,389	98,089	

Allowance This is a local market weighting factor

TA is Travel Allowance This local allowance covers all travel within Herts and London

The MD was appointed to a spot salary, equivalent to the total salary column above and was not part of a scale with increments. At 1 April 2008 that would have been £127,608.

However, as part of a retention package the MD had the opportunity of earning more through a performance related pay scheme.

Appendix 2



REPORT TO WATFORD and THREE
RIVERS COUNCILS

ON THE PAY OF THEIR SENIOR
MANAGERS



1.1 Introduction

We have been asked to review the salaries of the senior management posts at Watford Borough and Three Rivers District councils. We have used the LGE senior manager job evaluation scheme to determine relative job size.

1.2 As part of this review we have:

- Asked all postholders to complete a standard job information questionnaire
- Reviewed job information, job evaluation scores and supplementary data relevant to the posts.
- Examined the salary scales applied elsewhere for similar posts in organisations where meaningful comparisons can be made with Watford and Three Rivers (details of all comparative data used can be found within the body of this report);
- Recommended salary ranges and grading options for consideration by the Councils.



2 Evaluation results

- 2.1 The evaluation process revealed a wide range of responsibilities. In this context the total unit evaluation scores are set out below; full details of all evaluations are attached at Appendix 1 to this report. We have set out below an option for grouping the posts;

<i>Job title</i>	<i>JE points</i>	<i>Option 1</i>
Managing Director	615	CE
Chief executive	615	
Executive director resources	495	CO1
Executive director services	495	
Director of corporate resources and governance	495	
Head of strategic finance	400	CO2
Head of legal and property	395	
Head of planning	375	CO3
Head of environment	360	
Head of community services	360	
Head of finance , shared services	355	
Head of corporate services	345	
Head of human resources	345	
Head of ICT	330	
Head of revenues and benefits	330	



3 Salary Structure

- 3.1 We have used one main source of comparative information, the Local Government Employers (LGE) Salaries and Numbers Survey 1 April 2008.
- 3.2 The LGE Salaries and Numbers Survey is carried out annually and lists salaries as at April 2008. The Survey is jointly commissioned and the response rate to this Survey was 85%, making it the most complete source of comparative salary information for jobs at this level within local government. It is worth noting that survey data reveals that the vast majority, over 2/3, of chief executives are appointed from a local government background. Consequently, local government remains the most important market place when recruiting to posts at this level within either council.
- 3.3 A sample of this data listing salaries of chief officer and head of service posts from District councils in the south east of England and Hertfordshire is attached as an appendix to this report. For ease of reference I have set out below comparative data for a number of key posts.

<i>Post title</i>	<i>Number in sample</i>	<i>Average, max total pay¹ £'s per annum</i>	<i>upper quartile, max total pay £'s per annum</i>
Chief executive	58	113,881	119,552
Director of Finance	21	81,031	88,008
Director of corporate services	15	89,431	96,847
Director of Strategy	65	87,146	93,177
Head of (second tier) Finance	33	66,311	69,869
Head of Human Resources	25	62,348	64,620
Head of Legal Services	26	66,987	72,703
Head of Environmental services	14	64,676	67,553

¹ Include the average value of all payments additional to basic salary.



- 3.4 This data enables us to make direct comparisons between the salaries paid to senior managers at Watford and Three Rivers and those at other local authorities of a similar type, in the same region providing the same range of services. However this analysis makes comparisons by job title and not job size.
- 3.5 Consequently, some posts will be broadly similar in terms of their key accountabilities and other jobs may vary to a greater extent. In this context we have tried to select jobs where we believe there will be a common core of accountabilities. For example, we have selected like chief executive and director of finance where there will be a common core of accountabilities from one local authority to the next.
- 3.6 It is important to note that the challenge of providing shared services across both authorities add to the complexity of these roles when compared to similar jobs elsewhere. Also the management structure is relatively compact when compared with other similar local authorities.
- 3.7 In this context I have set out below a salary option for posts at the upper quartile, in comparison to other local authorities, related to the recommended grading structure set out earlier in this report.

GRADE	SALARY RANGE	
	MIN	MAX
	£	£
<i>CE</i>	120,000	130,000
<i>CO1</i>	90,000	97,500
<i>CO2</i>	65,000	70,000
<i>CO3</i>	60,000	65,000



4 Salary Band Design

- 4.1 If the councils wish to take a more proactive approach to individual pay management and to facilitate this approach the bands could be designed as shown below, e.g. for band CO3.

<i>A-substantive grade</i>			<i>B-performance/competence increments</i>	
60,000	61,250	62,500	63,750	65,000

- 4.2 The (A) portion of the grade could be used for a postholder who is carrying out the full range of duties and responsibilities with annual incremental progression subject to meeting performance targets.
- 4.3 The (B) portion of the grade is for postholders undertaking duties in addition to the substantive accountabilities relating to the job, e.g. responsibility for management of 'one-off' projects. Alternatively, the (B) portion of the grade could be used to recognise exceptional individual performance, the acquisition of relevant competencies or specific market forces. One or two increments could be awarded annually on a non-consolidated basis to recognise these factors.
- 4.4 This salary range is intended to be fully inclusive of all current allowances, except car provision/allowances. It is intended to remunerate the postholders for their full range of duties including any requirement to work outside of normal office hours.
- 4.5 We recommend that postholders be assimilated to the new salary range in accordance with the established 'minimum advantage' rule (i.e. at the salary point within the new grade immediately higher than the current salary level).



5 Conclusion

- 5.1 These recommendations may have cost implications. However we believe, from an analysis of current trends and comparative market data, that the Council should adjust the salaries for these posts in line with our options. Acceptance of this report will ensure the Council maintains a competitive market position, improves motivation, reduces any perception of unfairness and ensures that staff of the appropriate calibre can be both recruited to and retained in these key posts.

ADAM BARKER

Head of Consultancy

June 2009