

Report of the Head of Business HR

## **Changes to Terms and Conditions for Chief Officers**

### **Summary**

1. This report sets out proposed arrangements for the introduction of a market supplement policy for Chief Officers to be implemented with immediate effect.
2. The report is also seeking agreement to commence consultation with Staff and Trade Unions regarding a proposed 4 day reduction to annual leave entitlement and to introduce a link between incremental progression and the Chief Officer Performance Development Review (PDR) process. It is envisaged that these proposed changes would be introduced by April 2014 to align with the next round of PDR meetings.

### **Detail of proposals**

3. The City of York Council recognises that the pay for jobs must be fair, transparent and non discriminatory and the Council has a job evaluated pay structure for Chief Officers. The council also needs flexibility in the overall 'package' of pay and non pay benefits to attract and retain the highest calibre staff to provide high quality services for our customers.

### **Market Supplement**

4. Whilst a job evaluation scheme and grading structure gives a robust measure for grading a post it takes no account of market factors. The purpose of a market supplement is to assist with the recruitment and retention of staff when it can be robustly demonstrated that the grade for a particular job or group of jobs, as determined by job evaluation, is significantly below local or national rates of pay. It would also need to be demonstrated this is impacting upon the ability to recruit to the role or retain a post holder.

5. For such exceptional cases many organisations have a market supplement policy as a mechanism to respond to these situations as they occur and can consider paying a discretionary market supplement in addition to the job evaluated salary. Any market supplement should only be used as a specific response to enable the Council to attract and retain employees who work in specific jobs that attract a market premium.
6. The potential need for a market supplement policy was recognised following the implementation of job evaluation and pay and grading review process for Local Government Staff and a Market Supplement policy was introduced for these staff in 2008, however there is no policy in place for Chief Officers.
7. Salary is by no means the only factor which influences the ability to recruit staff. The remuneration package must be part of an overall recruitment strategy and the potential need for market supplements will be considered in this context. On some occasions it may be more appropriate to consider financial barriers discouraging individuals from applying for posts and these may be more appropriately addressed through the council's relocation expenses scheme or utilising existing flexibilities for the starting salary offered on appointment (within the evaluated grade of the post).
8. Similarly a range of factors will contribute to the retention of existing staff and it is expected that these will be explored first before considering any need for market supplements.

**Proposed introduction between incremental progression to the Chief Officer PDR process**

9. Directors and Assistant Directors are employed on grades which have four salary levels. Progression through the salaries in the grade is on a 'time served' basis with annual progression each April until the post holder reaches the top salary of the grade.
10. The Chief Executive is employed on a grade which links performance to pay and progression though the salary levels is only achieved if performance is determined to be judged to be satisfactory using the Performance Development Review (PDR) process.

11. It is proposed to introduce a link between pay and performance for all Chief Officers to drive improved performance through linking desired outputs to incremental progression. Progression through the salaries in the grade would be based on the assessment of performance through the PDR process.
12. Where agreed targets and standards have been achieved a Chief Officer may progress by one increment annually.
13. It is proposed to consult with Chief Officers about the proposal and then form a small group to look at the current our process for PDR and review processes elsewhere in the region with the aim of developing a scheme which links pay and performance for use in York.

### **Proposed reduction to annual leave**

14. The current annual leave entitlement for Chief Officers is 34 days increasing by five days to 39 days after five years continuous local government service. This is in addition to the eight public holidays per year. The Council's flexi time scheme does not apply to Chief Officers.
15. Under national terms and conditions for Chief Officer's annual leave and holiday arrangements are at the discretion of the local authority, but set out a minimum entitlement of 30 working days including annual and long service leave.
16. The annual leave entitlement for Local Government staff in York is 24 days, increasing to 29 days after five years continuous local government service. In addition the flexi time scheme operates for most employees which allow staff to take accrued time off work, subject to the needs of the service.
17. Leave arrangements in other local authorities vary significantly, however information obtained from other local authorities suggest that the Council does provide more annual leave for Chief Officers than some other Local Authorities.
18. It is proposed to consult with Chief Officers with a view to reducing the annual leave entitlement to 30 days increasing by five days to 35 days after five years continuous local government service.

## **Further Analysis of introduction of Market Supplement policy**

### Justification

- There is not a policy which applies to Chief Officers (we do for Local Government staff).
- The Council's Job Evaluation Scheme for Chief Officers (Hay Scheme) takes no account of market factors.
- There needs a strategy to be able to recruit and retain high quality Chief Officers.

### Principles of a Market Supplement policy

19. The following principles will apply:
- Any market supplement must be objectively justifiable
  - Market supplements will be time-limited and subject to review
  - The process for agreeing, monitoring and reviewing supplements must be responsive and flexible. The process may be initiated in reaction to particular difficulties in recruitment and / or retention or more proactively because of longer term market data etc.
  - Where a market supplement is introduced for a particular category of post, it will apply to existing staff holding posts in that category.
  - The cost of market supplements will be met from service budgets
  - If a job is subsequently re-graded to a higher grade, any market supplement will normally be reduced by an equivalent amount
  - A market supplement payment is pensionable

### Criteria

20. Consideration of market supplements will take account of the following evidence:
- i) Market Data  
For these professional occupations national and/or regional data will be relevant. Data can be easily obtained for comparable posts which have been advertised. It is possible to obtain data from salary benchmarking service providers.

## ii) Recruitment and Retention Difficulties

Recruitment and retention difficulties will normally be evidenced by a pattern of problems rather than one isolated individual case. Such a pattern may include;

- high levels of vacancies that are having a significantly adverse effect on the delivery of services
- re-advertising of posts (normally a post will have been advertised at least twice)
- very small numbers of applicants who meet the essential requirements of the post in relation to the size of the potential recruitment pool
- similar problems experienced for comparable posts in other groups/units

## iii) Retention difficulties

This can be evidenced by the above factors. However for certain jobs where there is only one post holder in that particular category it may be necessary to rely to a greater extent on market data.

## Quantification

21. Market supplements may be expressed in terms of a cash sum allowance or additional increments.
  - cash sum allowance – this may be appropriate for jobs where there is a defined linkage to a particular market index
  - additional increments (within the evaluated grade) – may be particularly appropriate where the need is to recruit and retain highly skilled and experienced staff.
22. A market supplement forms part of the overall remuneration package for an individual and as such will be pensionable.

## Procedures and Approvals

23. The case for the introduction of a market supplement will be based on the criteria above. In order to obtain market data it may be necessary to obtain information from identified external agencies. The proposal will include supporting evidence and the proposed amounts.
24. The Head of Service for Human Resources will consider the report, discuss the proposals with UNISON and make recommendations to Staffing Matters and Urgency Committee.

25. The Human Resources Service will monitor the use of market supplements across the Council.

#### Review of Supplements

26. A similar process will be followed for the review of market supplements that have been agreed taking account of the particular circumstances.
27. Market Supplements will normally be reviewed at least biennial or earlier if market conditions change. It will be for the Head of Service for Human Resources to undertake the review. The review will be based on the criteria set out above.
28. Where as a result of a review a market supplement is to be reduced or withdrawn this will take place with immediate effect.
29. Market supplements will not be subject to the annual cost of living increase and where a supplement is reduced or removed it will not qualify for pay protection.
30. It may also be appropriate to review any market supplement payable when an individual leaves if there is evidence that the market has changed since the last review.

#### Review of Protocol

31. The effectiveness of this procedure will be monitored. The procedure may be amended by agreement at any time.

#### **Consultation**

32. Informal consultation regarding these proposals has taken place with the Chief Officer staff group. Formal consultation regarding the changes to leave and incremental progression would be required with staff and recognised trade unions

#### **Options**

33. The Committee has the power within the Council's procedures to agree this policy.
34. This policy is proposed as there are no alternative options within existing policy which specifically address these risks of recruitment and retention.

35. No workable alternatives to a market rate supplement have been identified to mitigate these risks.

### **Council Plan**

36. The actions being proposed in the report are consistent with the Council Plan and the Council's Workforce Strategy 2012 – 15, which has 'Pay, reward and Recognition and 'Recruitment and Retention' as two of its key strategic aims so that the Council is able to 'retain as many of our talented people delivering services to our customers as we can'

### **Implications**

37. The implications of this proposal are detailed within the body of the report.
38. The council currently has published on the Council website a Pay Policy for Chief Officers and the implementation of Market Supplements, changes to annual leave and performance related increments would require an amendment to that Pay Policy for April 2013.

### **Risk Management**

39. Any specific risks associated with this proposal are detailed within the body of this report. The risks associated with the recommended option are financial, legal and guidance has been taken from these services.

### **Recommendations**

40. Staffing Matters and Urgency Committee is asked to consider the information in this report and to agree to;
- i) The implementation of a market supplement policy for Chief Officers as detailed in the body of the report.
  - ii) The commencement of consultation with staff and trade unions regarding a 5 day reduction to annual leave entitlement and the introduction of a link between incremental progression to the Chief Officer the PDR process

Reason: In order for there to be flexibility within the Chief Officer terms and conditions in order for us to respond to market forces and recruit and retain talented staff.

## Contact Details

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### Chief Officer Responsible for the report:

Kersten England, Chief Executive

**Report  
Approved**

**Date** 26 July 2013

### Specialist Implications Officer(s):

**Wards Affected:** *List wards or tick box to indicate all*

**All**

**For further information please contact the author of the report**

**Background Papers: None**