

Report of the Chief Executive

Chief Officer Pay – Information Only Report

Summary

1. This report provides Staffing Matters and Urgency Committee with the outcome of an analysis of Chief Officer pay.

Background

2. For the avoidance of any confusion, the term ‘Chief Officer’ relates to any role within the scope of the Joint Negotiating Committee for Chief Officers of Local Authorities bargaining unit. In York this applies to Directors and Assistant Directors. However in considering Chief Officer pay it is also important to consider the pay level of the Chief Executive and as such details of the Chief Executive’s pay are also included in this report.

Chief Executive pay

3. The current grading structure for the Chief Executive is from £130,000 to £145,000 with the following increments:
 - £130,000;
 - £133,750;
 - £137,500;
 - £141,250;
 - £145,000.
4. Incremental progression is partly performance based with half of the increment being awarded on a time served basis and half being dependant on the achievement of agreed outcomes.
5. The above pay levels have not changed since October 2007 when they were set as no cost of living pay awards have been made since prior to that time.

Director pay

6. The current grading structure for all Directors is from £88,080 to £102,766, with the following increments:
 - £88,080;

- £92,491;
- £96,883;
- £99,822;
- £102,766.

7. The above pay levels have not changed since April 2008 when they were set as no cost of living pay awards have been made since prior to that time.
8. Incremental progression is awarded on a time served basis. At present all Directors are at the top of the grade.

Assistant Director pay

9. The current grading structure for Assistant Directors is as follows:

Chief Officer Group 8 - £55,993 - £60,188

- £55,993;
- £57,262;
- £58,719;
- £60,188.

Chief Officer Group 9 - £60,188 - £66,068

- £60,188;
- £62,112;
- £64,012;
- £66,068.

Chief Officer Group 10 - £66,068 - £73,401

- £66,068;
- £68,413;
- £70,752;
- £73,401.

10. The above pay rates have not changed since April 2008 as no cost of living pay awards have been made for this staff group since that time
11. Incremental progression is awarded on a time served basis. At present the following number of Assistant Directors are on the following incremental levels:
 - £66,068 – 11;
 - £68,413 – 0;
 - £70,752 – 2;
 - £73,401 – 3.

Information / Update Provided

12. An analysis of the Council's current pay rates has been undertaken and shows the following.

Chief Executive

13. The Chief Executive's national conditions of service contain a pay framework, derived from an annual survey of the actual salary paid and maximum salary scale payable by each Local Authority in England and Wales as at 1st April.
14. In respect of Unitary Authorities, the 2008 framework showed the following:

| Population Band | Average actual Salary | Maximum Salary |
|-------------------|-----------------------|----------------|
| 100,000 – 249,000 | £145,076 | £147,696 |

15. The latest Salaries and Numbers Survey undertaken by the LGE, published in October 2009 relating to the 2008/09 year shows the average grade maximum basic salary for Chief Executives as follows:
- Counties = £175,005;
 - Districts = £103,263;
 - London Boroughs = £181,096;
 - Met districts = £154,875;
 - Unitaries = £141,476.
16. As can be seen, City of York Council is paying around the average for Unitary Chief Executives. The regional picture however shows that York is the lowest paying single tier Council with the salaries ranging between £228k and £160k, with the lower quartile maximum being £144,416 and the average maximum salary being £158,962.
17. In addition, the current Chief Executive, due to her position on the salary range, is paid circa £11k below average with progression through the grade already related to performance. In addition the Chief Executive has already voluntarily waived her contractual right to the performance related element of incremental progression in recognition of the extraordinary circumstances the Council faces in managing public sector funding reductions and in order to lead by example.

Directors

18. The market data for Director roles show that the current Director salary scale is lower quartile for the City Strategy, C&NS and CBSS roles, although even then only at the top end of the grade, as follows:

| | Upper Quartile | Median | Lower Quartile |
|--|----------------|---------|----------------|
| Director of Adult, Children & Education | 140,000 | 125,000 | 115,000 |
| Director of City Strategy | 126,000 | 115,000 | 102,000 |
| Director of Communities & Neighbourhoods | 126,000 | 115,000 | 102,000 |
| Director of Customer & Business Support Services | 126,000 | 115,000 | 102,000 |

19 The above table uses the following market quartile definitions:

- Upper Quartile: 25% of the organisations in the survey pay more, and 75% pay less;
- Market Median: 50% of the organisations pay more, and 50% pay less;
- Lower Quartile: 75% of the organisations pay more, and 25% pay less.

Assistant Directors

20. The market data for Assistant Director roles show that the current pay structure does not appear to be aligned to the market as there are significant differences between the current minimum and maximum salaries and those salaries paid to roles of the equivalent job size. Only Chief Officer grade 10 is aligned to the market, albeit lower quartile (to median), as follows:

| | Upper Quartile | Median | Lower Quartile |
|---|----------------|--------|----------------|
| Adult Provision and Transformation | 84,700 | 77,700 | 70,600 |
| Environment | | | |
| Housing and Public Protection | | | |
| Children's Specialist Services | 81,500 | 74,100 | 67,000 |
| Adult Assessment and Safeguarding | | | |
| Strategic Lead for School Planning and Organisation | | | |
| Education | | | |
| Communities and Culture | | | |
| Planning and Sustainable Development | | | |

| | | | |
|--------------------------------------|--------|--------|--------|
| Strategic Planning and Transport | | | |
| Economy and Asset Management | | | |
| Customers and People | | | |
| Policy, Performance and Partnerships | | | |
| Integrated Commissioning | 78,800 | 71,000 | 64,000 |
| Legal and Governance | | | |
| Financial Services | | | |

21. In considering the pay of senior managers, an organisation needs to take into account several factors:
- the market pay data and the competitiveness of the recruitment market;
 - the relativity of the salary levels to each other and the Chief Executive;
 - affordability;
 - the need to retain key staff and the costs associated with recruiting replacements should any staff leave.
22. At the current time the general context of public pay also needs to be taken into account, namely:
- the current political climate around public sector pay, particularly that of senior officers;
 - the economic and market climate, which is currently very tight;
 - that Chief Officer salaries have not increased since 2008;
 - equity and fairness and the consistency of treatment with other staff groups;
 - other increases in the cost of living, for instance VAT is increasing in January 2010, there will be a rise in employee national insurance contributions of 1% in April 2011 and an anticipated rise in employee pension contributions around the same time, all affecting disposable income;
 - reputation with the possibility of being seen as looking after those at the top of the organisation;
 - timing with the CSR leading to increased redundancies;
 - employee relations issues and the reaction of trade unions to any proposals.

23. In addition, Members will be aware that the coalition Government has commissioned Will Hutton to analyse whether a 20 to 1 pay multiple might be justified as promoting fairness in public sector pay over and to what extent it might contribute to changed social norms about pay in the private sector.
24. On 1 December 2010, the Fair Pay Review published its Interim Report. The report reached no final conclusions rather it explored the role of a maximum pay multiple in containing pay dispersion, and offered the view that the appropriate level for a maximum pay multiple (20 to 1 or otherwise) would depend upon how the multiple is designed. The interim report discussed a range of different design options, which will be developed further to produce detailed recommendations for the Fair Pay Review's final report due early in 2011.
25. The interim report concluded that the public sector must create value for citizens by attracting and retaining talented individuals, otherwise it will become a second class sector of the economy, but also must be vigilant about ensuring value for money. In this context the interim report laid down some fair pay principles which will be used to underpin a framework for fairness in senior remuneration, as follows:
 - real proportionality between pay and individual contribution – individuals should be rewarded for their own performance, with top executives prevented from scooping the pool;
 - fair process – pay should be set according to consistent rules applied equally to all, independent decision-making and opportunities for staff to make their case;
 - transparency – pay outcomes should be openly disclosed and justified to staff and the public.
26. While it remains to be seen if a 20:1 pay multiple is recommended in the final report, the current pay multiples of the Council's Chief Executive and Chief Officers is as follows:
 - Chief Executive
 - Current pay: 10.8:1
 - Top of scale: 12:1
 - Directors
 - Bottom of scale: 7.3:1
 - Top of scale: 8.5:1
 - Assistant Directors (CO Gp 10)
 - Bottom of scale: 5.5:1
 - Top of scale: 6.1:1
27. The final Hutton report is due in March 2011 and will provide recommendations around all of the issues discussed in the interim report.

Consultation

28. This matter has been the subject of some high level discussion with UNISON.

Corporate Priorities

29. Reviewing and establishing the councils position in respect of Chief Officer pay is an important element for assessing its ability to maintain an effective senior management team and as such support the corporate priority of Effective Organisation.

Implications

30. Any implications arising from the issues raised in this information report will be addressed within any associated decision making reports required in the future.

Risk Management

31. The specific risks surrounding the issues contained in this report are highlighted in the analysis of the options. In summary, the risks associated with the recommended option are financial, legal, operational and reputational.

Recommendations

32. This report is for public and Member information only.

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Kersten England
Chief Executive

Report Approved

Date 14th December
2010

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2010

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:

Hutton Review of Fair Pay in the public sector: interim report. December 2010,
http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm

Annexes: None