
Urgency Committee

26 June 2007

Report of the Director of Learning Culture and Children's Services and the Director of People & Improvement

PAY SUPPLEMENTS FOR CHIEF OFFICER POSTS

Summary

1. This report asks members to approve a pay supplement for an Assistant Director (AD) post within Learning Culture and Children's Services, pending a wider review of AD salaries. It is urgent because of the need to fill the post of AD of School Improvement and Staff Development in LCCS, following the decision of the current post holder to retire, and the inability to fill the post having already failed one attempt to recruit at the current salary.

Background

2. The Council has identified a need to review Chief Officer pay in order that it remains able to attract and retain high calibre staff and that we have the pay policy tools to be flexible and responsive to changing market demands. To this end, a review of Chief Officer pay is currently underway. This review needs to consider our market position as well as the structure of our reward system for Chief Officers.
3. In the meantime, there is a short term consideration around the need to supplement base salary for this particular AD post which has proved difficult to fill. Elected Members have indicated a willingness to consider a supplement to allow this post to pay up to £75,000, which is approximately £5,000 higher than the top of the grade of the existing post.

Consultation

4. Consultation has been undertaken with key members and officers.
5. An important consideration is the need to ensure that if a supplement is introduced that it is sufficient to meet the market forces objective, and is also legally fair and equitable. Any proposal for a mechanism to address the recruitment difficulties with the above named LCCS post must also consider its overall fit and equity across the Chief Officer community.

Options

- Option 1 – Pay the pay supplement as a 'market supplement' in addition to basic pay
- Option 2 – Pay the pay supplement in addition to basic pay based on performance in the post
- Option 3 – Consolidate the pay supplement into the basic pay for the post

Analysis

- Option 1 – Pay the pay supplement as a 'market supplement' in addition to basic pay
 - 6. Market supplements are paid in addition to basic pay in order to make the total salary of the post attractive to candidates. In order to ensure fairness and not to open us to legal challenge, market supplements must be reviewed annually. This annual process would involve research in the employment market to determine if the level of market supplement was still at the correct level or if the level needs to be adjusted upwards or downwards for the following twelve months. The ability to make this adjustment is built into the employee's contract of employment and would be actioned upon determination of the right level of supplement.
 - 7. Market supplements are very flexible and allow the organisation to respond to the changing employment market without making an on-going commitment into basic pay that cannot be removed at a later date. However they are not as attractive to candidates as other options as although they are subject to superannuation, they can be removed or adjusted on an annual basis.
- Option 2 – Pay the pay supplement in addition to basic pay based on performance in the post
 - 8. Performance related pay differs from market supplements in that the overall salary of the job is uplifted to a level which would attract candidates, in this case £75,000, but an element of the salary, typically between 5% and 10%, would be dependant on performance in the post during the year. Such performance would be measured objectively against pre-agreed criteria with the pay supplement being whole or part paid in a lump sum after this annual assessment. PRP is subject to superannuation and can either be consolidated into basic pay upon payment, or it can be paid as a non-consolidated sum.
 - 9. PRP tends to be more attractive to candidates than market supplements as it is based on their own individual performance and not any variations in the employment market which is beyond their control. However PRP is less flexible than market supplements. A draft proposal for a performance supplement can be found in annex 1.

Option 3 – Consolidate the pay supplement into the basic pay for the post

10. Consolidation of a pay supplement into basic pay effectively means that the basic salary of the post is simply increased. Such arrangements are inflexible in that the salary can not be reduced at a later date if the employment market changes. The lack of a performance element to the payment may also be undesirable in organisational terms.
11. City of York Council has an agreed job evaluation scheme and associated grading structure for Chief Officer posts. The maximum salary within the Chief Officer grading structure is circa £70k. In this instance the post of AD of School Improvement and Staff Development in LCCS has been evaluated and has been found to fall within the Council's existing Chief Officer grade range. Whilst it would be possible for the Council to create an additional grade above the existing top grade, a systematic analysis of the post has determined that there would be no justification for simply increasing the salary for this post and not other Chief Officer posts which fall into the current grade.

Corporate Priorities

12. The recommended course of action in this report supports all the Council's priorities by providing for continuity of overarching officer leadership on all key priorities, and especially the Community and Council leadership priorities.

Implications

13. The report has the following implications:
 - a. **Financial** – The Director of LCCS will manage the financial implications within the budget envelope of LCCS.
 - b. **Human Resources (HR)** – Pay supplements are a significant development for the Council and the implications. Therefore any proposal must be subject to an equality impact assessment. Equal Pay legislation and supporting case law requires that a supplement to pay must not be discriminatory on the grounds of gender. A market supplement would not be paid to all jobs and therefore the basis of payment must be that the market demands it. In addition, to minimise exposure to the risk of grievances and claims for indirect discrimination any pay supplement would have to be applied to all posts identified by the market research, regardless of whether they are vacant or not. There will also need to be a significant piece of staff communication to Chief Officers. Equally the addition of a performance related pay supplement would also need to be considered for all Chief Officer posts, although this can be undertaken as part of the on-going Chief Officer pay review. Consolidation of a pay supplement into basic pay as described in option 3 would create inequality within the existing Chief Officer grading structure which could lead to legal claims from other Chief Officers.
 - c. **Equalities** - There are significant equalities implications which are described above/
 - d. **Legal** - There are no legal implications other than those under the HR implications and the relevant approvals under the Council's constitution.

- e. **Crime and Disorder** - There are no crime and disorder implications
- f. **Information Technology (IT)** - There are no IT implications
- g. **Property** - There are no property implications
- h. **Other** - There are no other implications

Risk Management

- 14. In compliance with the Council's risk management strategy the main risks that have been identified in this report are those which could lead to the inability to meet business objectives (strategic) and to deliver services (operational), leading to financial loss (financial) and damage to the Council's image and reputation and failure to meet stakeholders' expectations (governance) and those arising.
- 15. Measured in terms of impact and likelihood, the risk score has been assessed at 20, placing the issue in the high category. Implementation of the recommendation in this paper will reduce the risk to medium.
- 16. The management of this risk provides the Council with the opportunity to provide enhanced and effective services to all Council customers.

Recommendations

- 17. It is recommended that Urgency Committee:
 - (i) agrees to implement a supplement which allows the Director of LCCS to pay up to £75,000 in the particular case of the AD for School Improvement and Staff Development in order to facilitate successful recruitment with £5k being applied as a market supplement.
 - (ii) recognises the onward consequences of this particular supplement and the outcome of the review of Chief Officer Pay.

Reason:

In order to enable the Council to recruit to the post of AD for School Improvement and Staff Development

Contact Details

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Report **Date** June 2007
Approved
Chief Officer's name: Patrick Scott
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Title: Director of People and Improvement
Report **Date** June 2007
Approved

Specialist Implications Officer(s) *List information for all*

<i>Financial</i>	<i>Human Resources</i>
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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

None

Annex 1 –Draft Proposal for a Performance Supplement

Subject to the satisfactory achievement of agreed targets as outlined in your Annual Objectives document as part of your Performance & Development Review (PDR) process, you will be entitled to a Performance Supplement of up to 10% of your base salary, payable at year end, in accordance with the following scale:

Performance achievement	Performance Supplement Payable
Less than 60% of targets achieved	Nil
60% targets achieved	4% of base salary
80% targets achieved	6% of base salary
90% targets achieved	8% of base salary
100% targets achieved	10% of base salary

This scale is modelled on the following principles;

- Simple to understand and administer
- Pay is a reinforcer not a motivator
- Reward is for outputs / outcomes
- Payout is weighted against high performance

Therefore, it's design is:

- A simple linear scale
- No supplement for below average achievement, i.e. less than 60%
- Final 2% supplement for remaining 10% achievement