

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

22 May 2008

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Corporate and Social Inclusion – Lead Cabinet Member, Councillor T Laing

PLANNING FOR THE FUTURE 3

Summary

This report responds to the commitments made by Cabinet over the last 18 months to review the senior management pay, grading and terms and conditions. It considers the recruitment and retention issues being faced by the Council, re-evaluates senior jobs, compares current pay to that being paid by other Councils considering size of Council and where possible, complexity of role/size of management structure. The report seeks to make permanent the interim responsibilities Heads of Service have been operating with since the further reduction in the senior management team in 2006 when 3 Heads of Service departed. It also seeks an extension of the pay and grading scheme to incorporate all officers currently employed under the NJC Scheme for Local Government Employees. These proposals not only complete the final phase of the Job Evaluation/Single Status exercise but also enhance the Council's approach to succession planning.

Recommendations

1. To approve a revised pay and grading structure for Heads of Service as detailed in the report and that officers be assimilated to the revised structure in accordance with the outcome of the Hay Job Evaluation process.
2. To approve an extension to the agreed pay and grading structure for senior officers falling within National Joint Council terms and conditions of employment for Local Government Employees, who have been evaluated under the Hay Job Evaluation Scheme as detailed in this report.
3. To approve the revised pay structure for those members of the Corporate Management Team not included in recommendation (1) above.
4. To give delegated authority to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law & Democracy, in respect of minor amendments to the terms and conditions of employees employed under Chief Officers Conditions of Service in line with amendments already agreed for other Council employees under the Single Status Agreement.
5. To give delegated power to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law and Democracy to determine any amendments to the pay and grading structures in respect of Heads of Service and Senior officers employed under the NJC Conditions of Service following the conclusion of Trades Union consultations.

Reasons for the Recommendations/Decision(s)

In October 2006, Cabinet gave approval to an interim restructure of Heads of Service and made a commitment to a further review following the satisfactory completion of a number of significant corporate projects. A further report was subsequently submitted to Cabinet in February 2008, when Cabinet resolved that officers should conduct:

(i) a review of those posts graded at Head of Service level or their equivalent together with senior managers who meet the criteria detailed in the Single Status Agreement

(ii) the submission of a further report to a future meeting of Cabinet, in respect of those Corporate Management Team members not included in recommendation 1 above, in relation to issues of retention and remuneration, be approved

(iii) the need for a further report to consider longer-term solutions to address recruitment and retention difficulties and ways of improving the capacity of the Council be noted.

This report sets out the outcome of that review and of measures to address issues of retention and remuneration in respect of the Corporate Management Team.

Members Interest

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in

the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

AGENDA ITEM

**REPORT TO CABINET
22 May 2008**

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL DECISION

Corporate and Social Inclusion – Lead Cabinet Member, Councillor T Laing

PLANNING FOR THE FUTURE 3

SUMMARY

This report responds to the commitments made by Cabinet over the last 18 months to review the senior management pay, grading and terms and conditions. It considers the recruitment and retention issues being faced by the Council, re-evaluates senior jobs, compares current pay to that being paid by other Councils considering size of Council and where possible, complexity of role/size of management structure. The report seeks to make permanent the interim responsibilities Heads of Service have been operating with since the further reduction in the senior management team in 2006 when 3 Heads of Service departed. It also seeks an extension of the pay and grading scheme to incorporate all officers currently employed under the NJC Scheme for Local Government Employees. These proposals not only complete the final phase of the Job Evaluation/Single Status exercise but also enhance the Council's approach to succession planning.

RECOMMENDATIONS

1. To approve a revised pay and grading structure for Heads of Service as detailed in the report and that officers be assimilated to the revised structure in accordance with the outcome of the Hay Job Evaluation process.
2. To approve an extension to the agreed pay and grading structure for senior officers falling within National Joint Council terms and conditions of employment for Local Government Employees, who have been evaluated under the Hay Job Evaluation Scheme as detailed in this report.
3. To approve the revised pay structure for those members of the Corporate Management Team not included in recommendation (1) above.
4. To give delegated authority to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law & Democracy, in respect of minor amendments to the terms and conditions of employees employed under Chief Officers Conditions of Service in line with amendments already agreed for other Council employees under the Single Status Agreement.
5. To give delegated power to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law and Democracy to determine any amendments to the pay and grading structures in respect of Heads of Service and Senior officers employed under the NJC Conditions of Service following the conclusion of Trades Union consultations.

DETAIL

1. Since it was established in 1996 the Council has continued to review its senior management structure and more recently embarked on its Planning for the Future (PFTF) programme to enhance leadership and joined up working across the Council. The corporate management team has reduced from 12 to only 6 (including the Assistant Chief Executive and Director of Law & Democracy). The Council was one of the first in the country to extend both Director and Heads of Service roles in this way and believe it to have not only generated improved value for money but to have made a direct contribution to the impressive Comprehensive Performance Assessment 4-star improving strongly rating (still being one of only a handful of Councils in the country to have achieved this).
2. The successful PFTF programme continues and in 2006 when 3 Heads of Service departed namely, Head of Property Development, Head of Lifelong Learning and Head of Service Integration, the opportunity was taken to further enhance the integrated approach and assign these responsibilities to existing Heads of Service on an interim arrangement. In October 2006 Cabinet approved this approach and accepted that there were a number of significant projects underway that may influence future responsibilities still further. Interim arrangements were therefore agreed. The report did however highlight that the Council was experiencing a number of recruitment and retention issues at senior management level and as a result Cabinet requested a further report should be presented which concluded the interim arrangements and considered the best approach to deal with the recruitment and retention issues.
3. In February 2008 Cabinet considered the recruitment and retention difficulties, coupled with the need to maintain and build capacity to meet the future Local Government Agenda for Change and the Council's ambitious targets for improvement. As many of the significant projects referred to at 2 above are now either well established or nearing conclusion, it was agreed that it was now appropriate to conduct a pay and grading review using the Hay job evaluation scheme. Accordingly, all Heads of Service have now been re-evaluated to take account of current and changed responsibilities and ranked accordingly.
4. A review of salary levels has now been independently conducted by Hay which shows that at Stockton these are below the median level when compared to similar sized Councils. Many of these councils also operate with considerably bigger management structures and therefore individual roles have much smaller levels of responsibility. At a local level for example management teams of around 8-9 Chief Officers are commonplace compared to 6 at Stockton. Councils are also smaller and yet many senior officers are paid higher salaries. Stockton has also embraced partnership working to a much greater extent than most councils. A number of Stockton posts are now joint with the PCT and Darlington Council for example. This proves to be very efficient and effective providing real joined up working and enhancing the service to the end user. It does however lead to roles with even greater levels of responsibility and this also needs to be reflected in pay and grading.
5. We have at Stockton and in local government generally, an ageing workforce. Amongst our senior staff, 16.5% have the option to either retire now or within the next 5 years whilst 61% are aged over 45. Within Local Government as a whole, demand for professional and managerial staff is rising steeply whilst over 80% of local authorities are reporting difficulties in recruiting at senior levels. Competition is therefore tough and consequently it is not only essential that our salary levels are competitive but also that salaries are structured appropriately to enable us to succession plan.
6. Recruitment and retention has already been an issue. In the last 3 years 8 new Heads of Service have been recruited excluding new posts, a turnover rate of just 30%. This compares to an average turnover rate for Local Government as a whole of 14.1% and a turnover rate in Stockton of 14.4%. Recruitment into these posts has been extremely difficult, applications received from the right calibre of candidate have been limited. For example, in the case of the last 3 vacancies, for the Head of Operations (CESC) only 3 applicants progressed to final

interview and in the case of the Head of HR only 1. The post of Head of Regeneration was advertised twice, no suitable applicants being found in the first round and even after the second advertisement and the salary revised, only 2 applicants progressed to formal interview. The Corporate Director of CESC has recently been appointed to a post with a more limited range of responsibilities for an advertised salary of £126,000 - £154,000 plus performance related pay. Clearly if we are to attract a candidate of similar calibre, the salary must be competitive.

7. The competition for the best candidates is intense at the moment with quite a lot of movement in the sector. Chief Executives posts currently advertised for example include Sheffield, Sunderland and the Isle of White, the latter advertised on a salary of £165,000 despite having a population of only 138,000. The intensity is also about to heighten with the creation of 9 new unitary councils. In the North East for example, Durham and Northumberland have just advertised Chief Executive posts at £200,000 and £180,000 respectively and it's very likely that higher salaries for a range of senior posts will follow.
8. The work undertaken by Hay has taken the above issues into account. In addition, consideration has been given to the grading structure particularly in relation to senior managers on Local Joint Conditions in order to enhance the Council's approach to succession planning. Following the conclusion of the Hay work, a number of proposed changes are suggested. These are detailed at **Appendix A**.
9. The Single Status Agreement made a number of changes to conditions of service, which should be replicated in the conditions of service for Chief Officers. It is therefore proposed that approval should be sought to delegating power to the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law and Democracy to determine:
 - a. Honoraria payments
 - b. Disturbance allowance
 - c. Travel and subsistence allowances
 - d. Annual leave.
10. Consultations on the pay and grading structure have commenced with the Trades Unions and they have indicated their broad support to the proposals. However, they have also expressed their wish to consult further with their members and the period allowed for consultation will not be concluded prior to consideration of this report. Delegated authority is therefore sought for the Corporate Director of Resources in consultation with the Cabinet Member for Corporate and Social Inclusion and the Director of Law and Democracy to determine any amendments to the pay and grading structures in respect of Heads of Service and Senior officers employed under the NJC Conditions of Service following the conclusion of Trade Union consultations.

FINANCIAL IMPLICATIONS

11. The costs of the proposal in respect of Heads of Service and the Corporate Management Team are outlined at **Appendix A**.

LEGAL IMPLICATIONS

12. Until an equality proofed pay structure for all employees has been implemented the Council continues to be at risk from Equal Pay claims.

RISK ASSESSMENT

13. Failure to address the recruitment and retention issues currently being experienced is categorised as a medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk. However, a detailed risk assessment will be undertaken for each of the phases of this project as Action Plans are developed.

14. The Council's risk of Equal Pay claims however is categorised as a high risk as follows:

Description of Risk	Description of Impact	Description of Likelihood	Risk Category	Existing control measures
Equal Pay claims if an equality proofed pay and Grading structure covering the whole workforce is not introduced.	Financial impact – costs of compensation for equal pay claims/cost of implementing new pay structure Disruption of services if IR problems.	Medium to High	High: Score 16	Development and implementation of a new pay structure.

COMMUNITY STRATEGY IMPLICATIONS

15. There are no Community Strategy Implications.

EQUALITIES IMPACT ASSESSMENT

16. An equalities audit will be completed for the revised pay line when this has been finalised. Equality Impact Assessments will be completed for each of the projects as these are developed.

CONSULTATION INCLUDING WARD/COUNCILLORS

17. Consultation with recognised Trade Unions is ongoing.

Name of Contact Officer: Julia Spittle
Post Title: Head of Human Resources
Telephone No. 01642 537016
Email Address: julia.spittle@stockton.gov.uk

Background Papers

None

Ward(s) and Ward Councillors:

Not applicable

Property

Not applicable

The appendix to this report is classified as exempt information and is not for publication by virtue of paragraph 4 of Schedule 12A of the Local Government Act 1972.

Members or Officers wishing to view this appendix may do so by contacting Democratic Services.