

## Senior Pay Review

### Background

The last pay review of senior officer pay was undertaken in March 2001 as part of the restructuring of the senior officers within the Council. Appendix (i) shows the SLT structure as at 2008/09 when there were 25 senior officers within the structure.

Since then there have been a number of changes in the SLT structure with a much leaner senior leadership structure. Appendix (ii) shows the SLT structure as at 1<sup>st</sup> April 2016 which has 12 senior officers.

As a result of the reduction in senior officers, the size and breadth of each service is much bigger. As the Council has not had a mechanism for evaluating the amended roles, senior officers have been remunerated using a combination of honorariums and market supplements which raises serious equality issues as there is no objective evaluation method to determine the amount payable.

The Council has also experienced retention issues at this level with two key Heads of Service leaving the authority in the past 12 months.

It is recognised that there will be further changes to the Council over the next few years for which the Council needs a strong and adaptable SLT which will ensure that it continues to be able to provide a high level of service to its residents, and remains one of the top-performing Councils in Wales.

### Job Evaluation Review

The first stage of a pay review is to determine the method by which roles are to be evaluated. As there is a requirement to have independent advice on job evaluation for senior officers, it was agreed by the Remuneration Panel that the Council commission the Hay Group to independently size, through job evaluation, senior officer roles based on a generic job description and a role profile which gives the specifics of the role.

Job Evaluation is a means of establishing differential through ranking jobs and originates from two concepts:

- a)** More complex or more responsible work should receive great compensation then less complex or responsible work
- b)** There should be a like pay for like work within the organisation.

The Hay Group Job Evaluation Scheme was adopted for this exercise as it provides an effective, objective and resilient means of assessing relative job content.

The following posts have been included in the evaluation review:

| Role   |
|--|
| Chief Executive (evaluated only)                 |
| Corporate Director – Economy & Public Realm      |
| Corporate Director - Communities                 |
| Section 151 Officer                              |
| Head of Customers, Communication & Marketing     |
| Head of Business Improvement & Modernisation     |
| Head of Education & Children & Families Services |
| Head of Community Support Services               |
| Head of Planning & Public Protection             |
| Head of Finance, Assets & Housing                |
| Head of Environment & Highways                   |
| Head of Legal, HR & Democratic Services          |

The matrix in the table below groups roles that have been measured at the same 'level of work', to provide context and an organisational relativity matrix. As Job Evaluation is fundamentally about creating a rank profile of roles, this table demonstrates which roles have similar levels of responsibility and accountability.

It is this table which should allow the Remuneration Panel to compare roles as they change on an ongoing basis, determining whether roles fit in a higher or lower Head of Service level, or perhaps somewhere different. These benchmark outcomes define the levels of work for each different pay grade.

| Role  | Know-How |
|---|----------|
| Chief Executive   | 700      |
|   | 600      |
| Corporate Director – Economy & Public Realm<br>Corporate Director – Communities   | 528      |
|   | 460      |
| Head of Education and Children and Families Services<br>Head of Community Support Services<br>Head of Environment and Highways ( <i>revised post is 350</i> )<br>Head of Finance, Assets and Housing<br>Head of Legal, HR and Democratic Services<br>Head of Business Improvement and Modernisation<br>Head of Planning and Public Protection | 400      |
| Head of Customers, Marketing and Communication<br>Section 151 Officer   | 350      |

The evaluations show that there are four levels within the Senior Leadership Team:

Chief Executive  
Corporate Directors  
and two distinct level of Heads of Service.

The next stage of the review was to put a financial value to the rank order.

#### Proposed Pay Structure

In order to develop a pay structure it is important that the outcomes required are clear.

For the Council the SLT pay structure needs to:

- Be sufficient to attract, retain and motivate senior managers of the quality required to run the organisational successfully
- To provide a fair, consistent and transparent form of remuneration for Chief Officers

In determining the financial value the Remuneration Panel worked within the following principles:

- The pay structure needed to be within the median pay range comparable to the remuneration in other organisations.
- There needed to be sufficient opportunity for financial progression to retain and motive senior managers
- Any decisions made needed to be evidence based to ensure the transparency of any remuneration and applied fairly across the senior leadership team
- No officer should be in determined as a result of the review due to the negative motivational impact this would have

The Panel considered the following evidence when determining the value of the pay structure:

- *Market data provided by Hay Consultants*

| Role                   | Market Upper Quartile | Market Median     | Market Lower Quartile |
|------------------------|-----------------------|-------------------|-----------------------|
| Corporate Director     | £124,282              | £106,242          | £98,420               |
| Higher Head of Service | £83,324 – £90,266     | £72,273 - £79,307 | £65,590 - £71,295     |
| Lower Head of Service  | £72,157 - £76,704     | £62,124 - £66,143 | £56,013 - £59,952     |

- Comparison with neighbouring authorities (considered as potential candidates for merging with Denbighshire)

| Council              | Chief Executive | Directors | Heads of Service | Pay range    |
|----------------------|-----------------|-----------|------------------|--------------|
| Flintshire           | 1               | 0         | 9                | £83k - £131k |
| Wrexham              | 1               | 3         | 8                | £74k – £125k |
| Denbighshire         | 1               | 2         | 9                | £66k - £125k |
| Conwy (under review) | 1               | 3         | 16               | £46k - £114k |

- Detail in the generic job descriptions that were developed in consultation with the post holders
- The evaluation and ranking of the roles through Hay Job Evaluation
- Current Pay Structure
- Summary Pay Information

|                                      | Max Salary | Honorarium/Market Supplement | Maximum Paid |
|--------------------------------------|------------|------------------------------|--------------|
| Chief Executive (not part of review) | £125,000   |                              |              |
| Directors                            | £86,630    | £10,000                      | £96,630      |
| Heads of Service (HS4)               | £66,066    | £2,500 - £10,000             | £76,066      |
| Heads of Service (HS3)               | £62,687    | £0.00 - £15,000              | £77,687      |

### Proposed Pay Structure

The recommended pay structure for the SLT team going forward is based on a percentage difference of 18% between each level and a 1.5% difference between each increment. The starting point for the structure is the Chief Executive's pay which was not part of the review but was required in order to ensure that the relativities between the levels was correct. A copy of the proposed pay structure is below:

|                        |          |
|------------------------|----------|
| SLT4 (Chief Executive) |          |
|                        | £125,000 |
|                        |          |
| SLT3 (Directors)       | £102,500 |
|                        | £100,963 |
|                        | £99,448  |
| SLT2 (Head of Service) | £84,050  |
|                        | £82,789  |
|                        | £81,547  |
| SLT1 (Head of Service) | £68,921  |
|                        | £67,887  |
|                        | £66,869  |

There are no officers in financial detriment with this option and all have 3 years progression.

The pay review has been undertaken in conjunction with a review of the SLT structure which has resulted in the amalgamation of the Head of Children Services and Head of Education roles; the deletion of the Head of Communications, Marketing and Leisure role; and changes to the Head of Environment & Highways role which has changed the role from an SLT 2 pay grade to an SLT 1 pay grade. These changes will deliver a £200k saving over 3 years.

Taking into account the 3 year cost of implementing a new pay structure which is £110k the proposed changes are expected to deliver a £90k saving over a 3 year period.

### **Independent Remuneration Panel (IRP)**

Part of the process requires the proposals to be considered by the Independent Review Panel for Wales.

The Independent Remuneration Panel for Wales (the Panel) was established by the Welsh Government under the Local Authorities (Allowances for Members)(Wales) Regulations 2007 which was subsequently revoked by the Local Government Wales Measure 2011 (the Measure). Under s141 of the Measure the Panel's continued existence was confirmed but it was given a slightly different remit to before. Later legislation including the Local Government (Democracy)(Wales) Act 2013 made changes to introduce s143A into the Measure to give the Panel powers to become involved in the salaries of Heads of Paid Service.

S39 Local Government Wales Act 2015 (the Act) extends the provisions in s143A of the Measure regarding Heads of Paid Service to Chief Officers for the period January 2016 to 31<sup>st</sup> March 2020.

In relation to Chief Officer Pay, the Panel's role is limited to taking a view and making a recommendation. Although the Local authority concerned must have regard to the recommendation, they are not obliged to follow it. The authority must however notify the Welsh Ministers and the IRP of its response to a recommendation made by the Panel. If the Welsh Ministers consider that an authority's response is inconsistent with the Panel recommendation, the authority may be subject to a direction from the Welsh Ministers to reconsider the salary.

The guidance to the Panel from the Welsh Government in respect of its functions states that the panel can:

- a) Indicate approval of the proposal
- b) Express concerns about the proposal
- c) Recommend a variation to the proposal

In relation to Denbighshire, the IRP decision is to recommend a variation to the Council's proposal namely:

- That the highest salary currently paid at the three proposed grade (SLT3, corporate direct, SLT2 head of service and SLT1 head of service) should be the maximum in that grade.
- The officers who have salaries currently below the highest can be raised to that level through a series of increments, over a three period. The increments should be structured so that no officer receives an increment of less than £1,000.
- Subject to point 2, the council has the discretion to set the minimum for the grade and the incremental steps to reach the maximum.

A full copy of the response from the IRP is attached in Appendix (iii)

The Remuneration Panel for Denbighshire met to consider the recommendations made by the IRP on the 29<sup>th</sup> April 2016.

The overriding concern raised by the IRP relates to the market data used by the Council to determine the proposed levels of pay for its Senior Leadership Team. The market data used to inform the process included:

- Comparative pay information from the HayGroup, Public and Not for Profit Pay data base (excluding London) as of July 2015. This database includes a variety of Public and Not for Profit organisations from across England and Wales.
- All Wales Local Authorities data provided by the WLGA Epaycheck system
- Data from its immediate neighbouring authorities.

Based on this data, the proposed salaries are within the median range, comparable with the Council's immediate neighbouring authorities.

The data considered by the IRP is centred on the Council's position based on budget and population. Denbighshire is currently ranked as 16<sup>th</sup>. The pay levels of other local authorities ranked as 13,14, 15 and 17,18 and 19 range between £39,000 to £114,000 and therefore the Remuneration Panel did not feel that using this data provide any substantial evidence to support the pay levels proposed by the IRP.

Based on the above, the Remuneration Panel, which has membership from all political groups have unanimously determined, having given due consideration to the recommendations made by the IRP, to continue with its original proposals.

A full copy of the response from the Remuneration Panel to the IRP is attached in Appendix (iv)