



Buckinghamshire Fire and Rescue Service

**A review of the methodology used to carry out the
Senior Management Team annual pay review**

Prepared for:
Clr Steven Lambert
Buckinghamshire Fire and Rescue Service
Stocklake
Aylesbury
Buckinghamshire
HP20 1BD

Prepared by:
Jennifer McNeill
Chartered Fellow CIPD; MA; BEd
Regional Director
South East Employers
e-mail: Jennifer@seemp.co.uk

The Guildhall, High Street
Winchester, Hampshire, SO23 9GH
Telephone: 01962 840664
Website: www.seemp.co.uk

20 December 2018

Annex A

1. Remit of the review

- 1.1 Buckinghamshire and Milton Keynes Fire Authority (BMKFA) requires a review of the current annual process undertaken regarding the methodology used to carry out the Senior Management Team (SMT) annual pay review, to make sure it is fit for purpose. This was agreed at the Executive Committee of 7 February 2018.
- 1.2 The service also requires details about how the methodology has been reviewed and how the conclusions have been reached, together with recommendations for amendments. Any revisions will apply from 1 January 2019.

Background of SMT posts and current process of determining remuneration

- 1.3 The senior management posts under consideration in this review are:
- Chief Fire Officer / Chief Executive (CFO)
 - Chief Operating Officer / Deputy Chief Fire Officer (DCFO)
 - Director of Finance and Assets
 - Director of People and Organisational Development
 - Director of Legal and Governance
 - Head of Service Delivery
 - Head of Service Development.
- 1.4 BMKFA applies national terms and conditions for most operational and senior staff. SMT members are contracted under the National Joint Council (NJC) for Brigade Managers of Fire and Rescue Services Constitution and Scheme of Conditions of Service; known as the “Gold Book”, for pay purposes. This involves a two-track approach for determining levels of pay;
- National Pay - At national level, the NJC annually reviews the level of pay increase applicable to Principal Officers. Any increase is effective from the usual annual settlement date 1st January.
 - Local Pay - The NJC agreement also requires Fire and Rescue Authorities to review Principal Officers’ salary levels on an annual basis.
- 1.5 The NJC agreement requires Fire and Rescue Authorities (FRAs) to review Principal Officers’ salary levels annually and determine this at a local level. *‘When determining the appropriate level of salaries for all Brigade Managers, the FRA should refer to the relevant minimum salary of the CFO and the most relevant benchmark data’.*
- 1.6 A working group of two members of the Executive Committee meet annually to consider relevant data and make recommendations to the February meeting of the Executive Committee. Their recommendation is taken to the full Fire

Annex A

Authority in February. The salaries of the seven SMT posts are considered as part of this process and changes are effective from 1 January.

- 1.7 Any costs arising from bonus payments are to be self-funded through savings on the budget and will not impact on wider staffing budgets.

2. Current SMT performance bonus process

- 2.1 Currently, an annual independent review is conducted to establish the extent of evidence regarding performance of SMT staff. This includes comparisons of pay levels and levels of Council Tax for comparator fire services; financial data around budget provision together with current and anticipated future national pay settlements to help determine affordability.
- 2.2 The fire authority is expected to take into account feedback on SMT performance in achieving corporate and individual objectives, and whether this has exceeded expectations. This information is not provided for the independent review, but the CFO advises the Chairman regarding SMT performance, and the Chairman updates the fire authority regarding the CFO performance against objectives.
- 2.3 A sum is discussed and agreed by the fire authority for the CFO bonus. A further sum is agreed for a 'bonus pot' for SMT. It is for the CFO to determine the level of bonus to award each SMT member subsequently. Records reflect that all established SMT members have received a fairly consistent bonus payment over the last three years.

3. Background and context to senior manager remuneration across fire services – national picture

- 3.1 As with all public sector organisations, combined fire services, working with their fire authority, will determine the most efficient and effective way to deliver services and this is identified in the Integrated Risk Management Plan (IRMP). This includes adapting and responding to changing political, economic, technical, social and legislative demands placed on them as well as the local expectations and changing needs of their communities.
- 3.2 In determining appropriate levels of salaries and remuneration, fire authorities are expected to take into account, and comply with, various legislative and ministerial requirements.

Annex A

- 3.3 Key papers that are relevant for this review are cited below and outline the specific areas that I have drawn upon in forming my conclusions and recommendations.
- 3.4 The General power of competence under the **Localism Act 2011** provided more flexibility to innovate, and freedom to work with others for the good of the community. This also introduced transparency over senior managers' pay to assist with reducing waste and duplication and ensuring that spending decisions would be subject to scrutiny.
- 3.5 The Section 3 (1) duty of the **Local Government Act 1999** (as amended by the Local Audit and Accountability Act 2014), provides that:
- 'A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'.*
- 3.6 The **Hutton Review of Fair Pay** in the public sector, 2011, referred to *'widespread concerns about the current size of government, the need for reform to produce more adaptability and creativity'*. The report refers to a 'golden thread' where employees at all levels should be rewarded in proportion to the real value of their contributions.
- 3.7 Public sector organisations are conscious of public scrutiny and the importance of transparency as regards how decisions at board level regarding senior manager pay are taken. Taxpayers demand value for money from public resources, and an assurance that their money is properly spent.
- 3.8 To achieve this, a clear justification for any additional performance-related pay to be based on meeting performance objectives is required. Also, there should be consequences for under-performance to maintain the integrity of the process.
- 3.9 According to Hutton, to ensure senior pay in public services is fair, and seen to be fair, reward should:
- Be proportional to the weight of each role and each individual's performance
 - Be set according to a fair process
 - Recognise that organisations' success derives from the collective efforts of the whole workforce.
- 3.10 The ratio of pay showing the relationship between the remuneration of chief officers and other employees, known as a 'pay multiple', with a maximum pay multiple of 20:1, was proposed and this has been adopted and reflected by local authorities and fire services in their Pay Policies.

Annex A

- 3.11 **The Local Government Transparency Code 2015**, Department for Communities and Local Government (DCLG) and Code of Recommended Practice for Local Authorities on Data Transparency and the Accounts and Audit (England) Regulations 2011, builds on the requirement for availability of published data including salary levels and ‘benefits in kind’, bonuses for senior staff earning over £50k.
- 3.12 The **Fire and Rescue National Framework for England May 2018** outlines an ambitious programme of workforce reform for Fire Services and includes such areas as enhancing:
- Professionalism
 - management and leadership
 - training and development
 - equality and diversity
 - culture
 - options for flexible working.
- 3.13 The Framework refers to the duty to keep collaboration opportunities under review and to use local discretion to implement services for the benefit of communities, including wider collaboration with other agencies to achieve efficiencies.
- 3.14 The NJC-led **Inclusive Fire Service Group** is working at a national level on recent gender pay reporting. The quality of data being reported remains problematic in some areas and it is likely this will take more time to bed down.
- 3.15 The Report from Adrian Thomas, **Independent Review of Conditions of Service**, England, November 2016, highlighted differences between fire authorities, including accessibility of pay policy statements, CFO annual salaries and complexity of rank, job evaluation for principal officers.
- 3.16 Of some relevance to this review is the suggestion from Adrian Thomas that the Gold Book conditions of service (for Principal Officers and Brigade Managers) should be discontinued as in most services local arrangements have effectively already superseded the Gold Book.
- 3.17 The Gold Book sets minimum but no maximum pay levels and so there is flexibility for fire services to determine their own pay levels locally. Adrian Thomas noted there was not a common methodology for job evaluation schemes used in fire services.
- 3.18 Alignment to grades rather than cross industry salary benchmarking, reduces the relevance of doing comparator pay studies across fire services to determine appropriateness of giving a bonus.

Annex A

- 3.19 Another point worth considering is whether structures are based on the person rather than the role. Adrian Thomas' report refers to establishing a systematic process of determining the relative ranking of senior roles to reflect the complexity of different roles through a structured job evaluation process to provide a foundation for reward and talent management decisions.

4. National pay negotiations and settlements 2017-2018

- 4.1 There was an increase of 1% in Brigade Managers' pay with effect from 1 January 2017 and of 1% with effect from 1 July 2017 for Grey Book staff. In July 2018, the NJC for Brigade Managers agreed a two-stage approach with a 1% increase on 2017 basic salary levels with effect from 1 January 2018, rising to a 2% increase on 2017 basic salary levels with effect from 1 July 2018. This reflects a minimum annual rate of pay for Population Band 2 at £101,782, see **Appendix A**.
- 4.2 As regards a likely pay settlement for 2019, this is yet unknown. Chief Officer pay award 2018-20 was agreed in July 2018. Salaries of Chief Executives and Chief Officers in local authorities, and Coroners, conditioned to the JNC Chief Officers was increased by 2% with effect from 1 April 2018 and 2% with effect from 1 April 2019.
- 4.3 Taking the above into account, it might seem appropriate to budget for a possible 2% increase for 2019 in the absence of anything more substantive. It is unknown at this stage when a claim will be received from the NJC relating to Brigade Managers pay.

5. Benchmarking with other Fire Services

- 5.1 The Local Government Association (LGA) conducts '**Salaries and Numbers Surveys**' each three years. The latest survey in 2017 looked at pay, gender, ethnic origin, age, use of Gold Book pay rates by fire services that do not use Brigade Managers on Gold Book terms and conditions. All information is anonymised and provides broad statistics on a national level, although Population Banding is identified.
- 5.2 Amongst key findings, the report identified that the overall number of officers in receipt of additional pay such as car allowances and flexi-duty/standby allowance decreased from 54 in 2014 to 33 in 2017.

Annex A

Number of officers at national level in receipt of additional pay in 2014 and 2017

	2014	2017
Chief Fire Officer	15	12
Deputy Chief Fire Officer	14	12
Assistant Chief Fire Officer	25	9
All	54	33

- 5.3 The report identified that the number of fire services using local pay rates has increased slightly from 24 (48%) in 2014 to 27 (56%) in 2017. In population Band 2, this increased by one from 12 to 13 from 2014 to 2017.
- 5.4 Whilst this provides a helpful picture of trends, there appears to be no central collection and communication of pay data by fire service for benchmarking purposes. I have therefore relied on information sourced from fire services' own websites to benchmark senior manager pay for this report.
- 5.5 Despite the expectations of the Local Government Transparency Code, the ease of sourcing this data varies considerably in some fire services as regards clarity, transparency and accessibility.
- 5.6 The provision of clear information regarding the structure of the senior management team on fire services websites is mixed. **Appendix B** summarises the range of senior management posts in combined fire authorities in i) the south east region, and ii) with a similar population size to BMKFA, (Band 2).
- 5.7 **Appendix B** also summarises relative salaries of senior manager posts. This data has been sourced from the fire services' Statements of Accounts 2017/18.

6. Equality and diversity – Buckinghamshire Fire Service

- 6.1 I understand the service has a policy of growing talent internally under Succession Planning. When a vacancy arises, and where evidenced succession planning is in place a two stage process applies. The vacancy is advertised internally first with no guarantees. Internal candidates are subject to rigorous assessment processes. It is only advertised externally if not filled internally. This process was agreed in principle by members. Benefits here are to offer career development opportunities for staff within a small workforce where turnover is fairly low. Conversely, to have 10 staff (2.2%) who have declared themselves to be from another ethnic origin within a workforce of 455, this policy might present challenges if the service is seeking to more fully represent the community it serves.

Annex A

- 6.2 I am aware that members are proud of the significant achievements made to date regarding the apprenticeship route for recruiting and training firefighters. There are positive action initiatives taking place as regards selection of new firefighters to further improve the current male : female ratio in operational roles – 21 out of 319 (6.5%).

7. BMKFA - Payment of bonuses to staff

- 7.1 Appendix 3 of the BMKFA Pay Policy refers to bonus payments being '*one-off ... to reflect excellent performance... which exceeds standards and targets agreed with the employee during their annual appraisal process...*' Recognition does not have to take the form of payment, and where financial awards are proposed, it requires a fair and transparent process to be in place. The purpose of a bonus is to reward those who demonstrate sustained, outstanding achievement or excellence in role.
- 7.2 In March 2016, eligibility criteria for the payment of "merit/bonus" awards for use by managers was agreed. This decision reflected the high performance and delivery of corporate objectives across the Authority. The established criteria is outlined at **Appendix C**.
- 7.3 Bonus payments are not intended as an additional reward to staff who are performing at a fully satisfactory level and/or developing in line with normal expectations. Discretionary payments, such as merit awards, are not to be used where the requirements of a job have changed significantly and permanently, as this would be for consideration under job evaluation.
- 7.4 Managers are invited to make applications for merit/bonus awards for non SMT staff in line with established criteria. I understand that recommendations with supporting evidence (e.g. performance rating, attendance levels, amounts applied for) are considered by SMT members.
- 7.5 From the increasing annual number of successful applications and corresponding increased cost for bonus payment, it could be viewed that this is well received by middle and junior managers and is gaining in relevance for rewarding exceptional performance on a wider scale. I understand the recent culture survey may show a different picture.

Year	Workforce bonus	SMT bonus
2016	£38,100	£70,000
2017	£46,250	£80,000
2018	£91,943	£80,000

Bonus payments to SMT and workforce 2016-2018

Annex A

- 7.6 Any bonuses are expected to be considered in line with evidenced and scrutinised delivery of performance management objectives. Payment for bonuses is discretionary and non-contractual. The amount allocated for bonuses will be self-funding linked to savings and performance. This principle is central to the Authority's considerations of reward and remuneration.

8. Succession Planning

- 8.1 The service's People Strategy refers to the importance of planning for the future taking account of internal and external influences. In September 2018, the Executive Committee received a report, 'Business Continuity and Resilience - Succession Planning' which identified immediate to longer term plans should an SMT post become vacant.
- 8.2 A number of actions are identified including acting up by staff in the next level below within the current work stream, reshaping of SMT and opportunities to collaborate (Thames Valley) and interim external cover.
- 8.3 There is reference to 'internal fast track development programmes', 'formal senior leadership training', considering timing of next Area Manager assessment process, should particular vacancies arise. Also, that direct reports (tier 3) support services posts 'could report elsewhere in the short term' if their current line manager post becomes vacant.
- 8.4 A number of 'risks and opportunities' have been identified. For example retirements and 'head-hunting'. Potential actions to mitigate risk include considering extending notice periods, reviewing 'collaborative succession planning', revising senior management level structure.

9. My comments

- 9.1 In order to comment on the methodology used to carry out the SMT annual pay review and whether this is 'fit for purpose' going forward, I will first touch on the broader picture of SMT, and then the relevance of bonus payments going forward.

Broader picture of SMT

- 9.2 I am aware that BMKFA is supportive of the purpose and benefits of having an SMT bonus arrangement. I sense a concern that good people may be 'poached' or will leave the service in pursuance of career progression in other organisations and a belief that having a bonus will help mitigate this risk. Also, that there is a view that a bonus payment will motivate the development of talent.

Annex A

- 9.3 My view here is that people who aspire to more senior positions or to expand their skills and experiences will ‘out-grow’ one organisation and seek new challenges and learning opportunities elsewhere. This is particularly relevant in operational roles as opportunities tend to be within other fire services and therefore are more limited. In professional support service roles, opportunities can be found across a broader range of industries.
- 9.4 I accept that the departure of a valued senior manager brings challenge and upheaval. It also creates opportunities for new skills and fresh thinking that should be embraced. In my view, the application of an annual bonus is not an appropriate or sufficient reason to encourage ambitious people to stay in this service for the long term.
- 9.5 It is likely that the current number and make-up of SMT posts has evolved over time, with posts created around people rather than defined service need. The FA was aware of this when the former CFO left. The opportunity was taken to review and regularise the CFO post and some further managerial posts, when the current CFO was recruited.
- 9.6 From the data provided in the Statements of Accounts, as illustrated in **Appendix B**, BMKFA appears to have a relatively high number of posts sitting at SMT level (seven). Five of these posts are at the most senior level reporting direct to the CFO. The Head of Service Delivery and Head of Service Support posts are at Area Manager level and report to the DCFO.
- 9.7 Three SMT posts are non-operational Directors. Each Director has ‘heads of’ posts reporting to them providing further expertise in specific professional areas.
- 9.8 Other fire services in the same population Band 2 have three or five senior management posts. An exception is East Sussex FRS with nine posts. In a larger population Bands, Hampshire & Isle of Wight has seven senior posts and Kent has nine.
- 9.9 BMKFA has demonstrated significant achievements in terms of embracing change and driving forward innovative ideas in workforce reform and flexible staffing arrangements including new contracts and working patterns, exceeding the Government’s public sector target of new start apprenticeships, collaborating with Thames Valley Fire Services and other partners.
- 9.10 However, in light of expectations outlined in the Localism Act (to reduce duplication and secure continuous improvements); in the Hutton report (adaptability and creativity and a clear justification for any performance-related pay); the Thomas report (referencing structures being based on evaluated roles and not the person), I suggest that consideration be given to reviewing and streamlining the SMT and third tier structures.

Annex A

- 9.11 There appears to be potential for duplication and professional confinement between non-operational SMT posts and tier 3. There may be benefit in to considering more generic managerial roles with a wider delegation of managerial responsibilities at SMT level to allow middle managers to flourish professionally and managerially by taking on a wider and more challenging remit.
- 9.12 Such a review would support establishing a 'blue-print' for the future, taking account of potential impacts of the Integrated Risk Management Plan (IRMP) 2020 and developments towards greater collaborative working and sharing functions across blue lights services, build resilience and reduce overheads.

10. Recommendations

10.1 My recommendation is that:

1. Members consider undertaking a review of the SMT structure and function, to include the third tier, taking account of opportunities for potential collaboration and potential efficiencies to be gained as well as broadening roles.

List of Appendices:

- Appendix A** Annual rates of pay for chief fire officers from 1 January 2018, Bands 1 - 4
- Appendix B** Comparison of population size, posts and salaries at senior management team level
- (i) Combined fire authorities South East region and
 - (ii) Combined fire authorities – similar population size to BMKFA
- Appendix C** Criteria used by managers when applying for merit/bonus awards for staff March 2018

Annual rates of pay for chief fire officers from 1 January 2018, Bands 1 - 4

Population Band 1	Up to 500,000
Minimum rate of pay	£101,782*
(1 July 2018)	£101,782
Population Band 2	500,001 to 1,000,000
Minimum rate of pay	£101,782*
(1 July 2018)	£101,782
Population Band 3	1,000,001 to 1,500,000
Minimum rate of pay	£111,070
(1 July 2018)	£112,169
Population Band 4	1,500,000 and above (except London)
Minimum rate of pay	£122,074
(1 July 2018)	£123,282

* New appointments

Source LGA

Comparison of population size, posts and salaries at senior management team level

(i) Combined fire authorities - South East region

Authority name Combined fire authority	Population June 2017	Senior Managers	Salary (basic + fees and allowances)	Total
Berkshire	905,900	CFO	151,885	5
		DCFO	112,705*	
		ACFO	112,302	
		Director Support Services	94,986	
		Head of Finance & Procurement	67,443	
Buckinghamshire	803,400	CFO	143,110	7
		DCFO	118,838	
		Head of Service Delivery	90,546	
		Head of Service Development	94,577	
		Director of People and Organisational Development	91,577	
		Director of Finance and Assets	91,291	
		Director of Legal and Governance	91,577	
East Sussex	840,500	CFO	152,262*	9
		DCFO	106,615*	
		ACFO	110,932*	
		Assistant Director – Operational Support and Resilience	62,713*	
		Director – Prevention and Protection	69,494	
		Assistant Director – HR and OD	59,431	
		Assistant Director – Training and Assurance	60,019	
		Assistant Director -Planning and Improvement	55,065	
		Assistant Director – Resources / Treasurer	77,162	

Annex A

Hampshire & IOW	1,837,800	CFO	152,498*	7
		DCFO (Director of Service Delivery)	124,495*	
		Director of Professional Services	114,379	
		ACFO – Head of Response	115,272**	
		ACFO – Head of Community Safety	115,272**	
		ACFO – Director of Blue Light Collaboration	115,272**	
		HR Manager	Not given	
Kent	1,832,200	Chief Executive	149,200	9
		Director Operations	121,100	
		Director Finance & Corporate Services	98,200	
		Assistant Director Response & Training	91,200	
		Assistant Director – Operational Resilience and Development	91,200	
		Assistant Director - Finance	91,200	
		Assistant Director – Service Delivery	91,200	
		Assistant Director – Human Resources	91,200	
		Assistant Director – Policy and Performance	91,200	

Annex A

(ii) Combined fire authorities – similar population size to BMKFA

Authority name Combined fire authority	Population June 2017	Senior Managers	Salary (basic + fees and allowances)	Total
Bedfordshire	664,600	CFO **	90,662	5
		DCFO *	81,673	
		ACFO *	68,532	
		Head of Finance	83,273	
		Secretary / Monitoring Officer *** (30 days)	11,645	
		ACO Director HR and OD	92,966	
Berkshire	905,900	CFO	151,885	5
		DCFO	112,705*	
		ACFO	112,302	
		Director Support Services	94,986	
		Head of Finance and Procurement	67,443	
Buckinghamshire	803,400	CFO	143,110	7
		DCFO	118,838	
		Head of Service Delivery	90,546	
		Head of Service Development	94,577	
		Director of People and Organisational Development	91,577	
		Director of Finance & Assets	91,291	
		Director of Legal and Governance	91,577	
Cambridgeshire	847,100	CFO	142,814	3
		ACFO	116,720	
		Deputy Chief Executive and Treasurer	125,112	
East Sussex	840,500	CFO	152,262*	9
		DCFO	106,615	
		ACFO	110,932	

Annex A

		Assistant Director – Operational Support & Resilience	62,713	
		Director – Prevention & Protection	69,494	
		Assistant Director – HR & OD	59,431	
		Assistant Director – Training & Assurance	60,019	
		Assistant Director -Planning & Improvement	55,065	
		Assistant Director – Resources / Treasurer	77,162	
Hereford & Worcestershire	779,400	CFO	126,209	5
		DCFO	101,085	
		ACFO	94,820	
		Director of Finance / Treasurer	78,893	
		Head of Legal Services	64,876	

Source: Salary figures from Statement of Accounts from individual Fire Services

- * change of post holder during year / different roles over year
- ** figures not provided in statement of accounts, so taken from Pay Policy
- *** pension abated

Criteria used by managers when applying for merit/bonus awards for staff March 2018

Criteria	Category
Where an individual consistently demonstrates significant outcomes and achievements that are beyond what is expected for the role, performing at an exceptional standard.	A
Where there is a retention issue with a member of staff who has significant experience, knowledge and/or skills which are of high value to the work of the Authority and without whom its effectiveness would be significantly reduced.	B
Where an individual has contributed to the success of a one-off project to an exceptionally high standard and to the benefit of the Authority, beyond normal expectations.	C
Where an individual has helped to cover the absence of a colleague for a significant period of time whilst not undertaking the role in total.	D
Where an individual has developed or changed a way of working in a way which has had a significant, positive impact on the effectiveness of the service.	E
Other reason: to be described in full	F