

Report for:	BUCKINGHAMSHIRE SHADOW EXECUTIVE
Meeting Date:	23 July 2019

Title of Report:	Proposed Leadership pay structure, Terms and Conditions for Tiers 2 and 3
Responsible Officer or Relevant Member:	Sarah Murphy-Brookman
Officer Contact:	Sarah Murphy-Brookman, Director HR & OD 01296 387931 smbrookman@buckscc.gov.uk
Recommendations:	<p>That the following be endorsed:</p> <ul style="list-style-type: none"> • Leadership Pay Broad Band • The proposed terms and conditions of employment for the leadership team • The Pay Governance process through a Senior Appointments and Pay Committee
Corporate Implications:	<p><u>Resourcing requirements</u> There are no additional financial resourcing requirements as a consequence of this report.</p> <p><u>Legal implications</u> As outlined in the report.</p>
Options: (If any)	This paper sets out the rationale for the recommended Reward arrangements and T&Cs which have benchmarked against relevant public, private and local government sector arrangements.
Reason: (Executive only)	These arrangements for Tier 2 and Tier 3 reward and T&Cs are required to enable the resourcing timeline for the new senior leadership to be achieved.



Purpose of Report

1. The appointment processes for the Chief Executive and the senior leadership team (Tiers 2 and 3) is now underway and this paper sets out the proposed leadership pay structure, terms and conditions of employment for tier 2 and tier 3 employees.
 2. These are the first roles to be created for Buckinghamshire Council and will be used as the template for other roles in the new authority. The design principles for the new council reflects the ambition of a flexible workforce and culture, where:
 - all employees are highly valued and our approach to people management will be empowering, collaborative and streamlined.
 - we will encourage innovation and continuous improvement and minimise bureaucracy.
 - We will have the culture, skills and systems to support mobile and flexible working.
 3. The proposed reward principles to support this are that our new pay arrangements will:
 - capture the aspirations and expectations of a new progressive, modern Council.
 - reflect a philosophy of fairness and transparency.
 - recognises that setting up a new organisation requires skilled and knowledgeable staff who are able to operate at pace.
 - Requires reward arrangements and terms and conditions that are attractive in order to attract and retain staff.
 - be affordable and provide value for money.
 4. It is proposed that these roles are appointed on a personal contract with pay governance provided by BC senior appointments and pay committee whose responsibilities would include:
 - *Pay Review*
Each year an activity will be undertaken to review Senior Pay against the revised market position. There would be no guaranteed uplift in pay (i.e. in cases where the market rate for a job is unchanged), and the senior managers would not automatically receive any general percentage uplift. This pay governance would be managed by the relevant pay committee.
 - *Non Consolidated Pay*
The pay committee would retain discretion about the award of any non-consolidated performance payments.
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- *Pay Control*

The recommendation would be that the annual spend on salary increases and bonuses for leadership staff as a percentage of their pay bill is broadly in line with the general pay pot available to other staff. The pay committee would also be responsible for agreeing salaries at or over £100,000 in line with the Localism Act 2011. This responsibility will need to be within the constitution for the new Council.

5. This paper sets out the key terms for these personal contracts:

- Leadership Pay Broad Band
- Performance Pay
- Pay Governance
- Annual Leave
- Pension
- Notice period
- Sick Pay
- Pay Protection
- Relocation
- Non solicitation

Recommendations

6. The Shadow Executive is asked to endorse the following:

1. Leadership Pay Broad Band
2. The proposed terms and conditions of employment for the leadership team
3. The Pay Governance process through a Senior Appointments and Pay Committee

The next step will be to inform Tier 2 and Tier 3 employees of the Reward arrangements and Terms and Conditions for the new Tier 2 and Tier 3 roles.

Background Papers	None.
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Content of Report

Pay

Leadership Pay Broad Band

7. The salary range for the CEO has been agreed and it is proposed that this is expanded so that there is a single Leadership Pay Broad Band. This Leadership Broad Band would be separate to the main pay scales for other staff. This is in recognition of seniority, complexity, and market factors affecting each role individually.
8. The proposed single Leadership Pay Broad Band would have internal governance and management processes to ensure, equality and consistency. In accordance with the Localism Act 2011, all Salaries of £100,000 would be agreed by the BC Pay Committee.

Market Pay Position

9. The scale and scope of these senior roles will be significant. Buckinghamshire Council will be a £1Bn unitary authority. Key challenges include: transformation programme to deliver the culture and operating model for the new council, Childrens services improvement/ statutory direction, Adults Social Care and the integrated care partnership with the NHS; Education and special educational needs transformation work; Growth, Housing, infrastructure and the Government's ambitions for the Arc; Community, Waste and the Public Estate; Benefit administration and Business Rate collection.
10. The accountability, scope and scale of transformation and delivery is significant and in this context it is recommended that the new Council sets its salaries by reference to benchmarking information for market median and upper quartile, with expectation that salaries will typically be at midpoint..

Pay options

11. For pay at this level there are two broad options:
 - A pay range with incremental steps up to a salary maximum or a spot salary. A pay range is a more traditional style of pay management which reflects a candidate's growth into the role.
 - A spot salary is a modern pay management arrangement and is typical for roles of this size. It provides much greater pay control and any changes are discretionary and managed through a pay governance process.

It is recommended that these Leadership roles are appointed on spot salaries.



Setting salaries

12. The process for setting the Leadership spot salaries will include:
- The size of the job as determined by Job Evaluation (Hay).
 - The benchmark data for the market and sector rate for the post
 - The assessed quality of the applicant including skills and experience
 - Scarcity of the required skills
 - Candidate expectations
13. The detailed process to set salaries would be as follows:
- The role will be placed in a tier according to its relationship with its peer roles and evaluated Hay job size.
 - Within each tier the starting point for setting the salary will be the mid point and this may be adjusted up or down as follows:
 - The evaluated job size within that tier is evaluated as being at the upper end or lower end of the JE size in which case the mid point salary will be adjusted up or down.
 - Individual benchmark information of the market rate for the job.
 - Number and quality of applicants.
 - Employee expectations, skills and experience.
 - Where a salary is adjusted upwards and it is above the UQ for the job size then this will need to be evidenced with a compelling justification .
 - Where the market information indicates a salary below median or this is a step up role then a lower salary may be appropriate.
14. The table below sets the expected ranges for Tier 2 and Tier 3 salaries within the Leadership Pay Broad Band. The detailed analysis supporting these salary ranges is appended at Annex 1. The published Leadership Pay Broad Band would be: £90,000 - £226,000.

Buckinghamshire Council - Leadership Broad Band – Detail – Tier 2 and Tiers 3

Tier	Typical JE Size	Median	Mid-point salary	Upper Quartile
T2	1359- 1708	£140,000	£155,000	£170,000
T3	1192 - 1358	£90,000	£120,000	£150,000

Job Size

15. The Hay job evaluation methodology is used by all four Buckinghamshire Councils and this will be maintained. This process allows HR&OD to size roles and for all of the new T1-3 roles it is proposed that KornFerryHay (Hay) will confirm the evaluated job size.

Market and Sector data

16. There are two prime sources of benchmarking information – EpayCheck and Hay Paynet. EpayCheck is a local authority database. Typically the 17 reporting councils each with populations over 300,000 are used for benchmarking information. Hay Paynet is a large database which covers all sectors, and the benchmark data recommended for senior roles will be public sector only. These data sources provide sector and functional specific data benchmarking for individual roles.

Performance Pay.

17. The new Council will need to develop an appropriate performance management system to drive organisational performance and service delivery.
18. Objective setting and assessment would be managed as follows:

	Objectives setting and Assessment	Moderation
T2 roles	CEO	Cabinet
T3 roles	T2 Manager	BC CMT

19. It is proposed that there is discretion for non-consolidated bonus/Performance payments to be made at the discretion of the future Council's pay committee.

Leadership - Terms and Conditions

20. These Leadership roles will be on personal contracts and the associated Terms and Conditions need to be agreed. The following table sets out the main terms and conditions of employment for senior staff in the existing councils together with JNC Chief Officer national conditions; typical Public sector and comparative private sector. The rightmost column contains the proposed recommendations of officers for the new terms and conditions for Buckinghamshire Council staff in Tier 2– 3 roles



21. Although these Leadership T&Cs will be separate from staff on the Main Pay Bands they do however set the 'tone' for other roles in the new authority.
22. Whilst there may be a desire to 'pare' back T&Cs it is important to remember that BC will be compared with other public sector employers and the overall package must be attractive.

Protection arrangements

23. There will be two groups of staff that these Reward arrangements and T&Cs will apply to:
 - Existing senior staff whose senior packages may have elements which are inferior to the new arrangements
 - New employees.

It is vital that senior staff move into the new Leadership roles and it is proposed that where a term is inferior that employees receive two years pay protection and one year protection of T&Cs, at which point the BC Leadership Terms apply.

24. Table 1 below sets out the benchmarking of the main T&Cs and the proposed T&Cs of Buckinghamshire Council.



Table 1 – Senior Terms & conditions benchmarking

Terms & conditions	AVDC	BCC	CDC / SBDC	WDC	JNC Chief Officers	Public Sector (Source: XpertHR)	Private Sector (Source: XpertHR)	Buckinghamshire Council (proposed)	
Annual leave entitlement (excluding public holidays)	33 days	27 days	31 days	32 days (plus 1 additional day at Christmas)	30 days minimum (Dorset – 33 days)	Average 26 days	Average 25 days	30 days increasing to 32 days after 5 years continuous service	
Annual leave entitlement after 5 years	38 days	32 days	31 days			Increasing by 5 days			
Pension	LGPS for all employers								LGPS
Notice period	4 months	4 months	3 months	3 months	3 months minimum	4- 6 months	Director level up to 6 Months	4 months	
Private medical insurance	None	None	Closed scheme	Provided	Not specified	2018 survey- only 8% out of 228 organisations	2018 survey- 75% out of 228 organisations	None	
Free Car Parking at BC office sites	Yes	No	Yes	No	Not specified	Not specified	Not specified	Yes	
Sick pay entitlement	<p>During first four months service - One month full pay</p> <p>After first four months' service, within the first year of service - One month full and two months' half pay</p> <p>During the second year of service - Two months full pay and two months half pay</p> <p>During third year of service - Four months' full pay and four months' half pay</p> <p>During the fourth and fifth years of service - Five months' full pay and five months' half pay</p> <p>After five years' service - Six months' full pay and six months' half pay</p>					Same as Bucks councils entitlement- e.g. NHS is the same	There is variation in the sick pay offering in the private sector with the maximum benefit in some cases available only to those with 10 years' service or more, and a wide range in the period for which pay is offered.	Retain As Is	

Other Terms

25. **Life Assurance** is excluded as there is provision through the LGPS.
26. **Redundancy** will need to be considered as part of the wider BC Terms and Conditions and in any event may be impacted by the £95K cap which limits the maximum payment within the combination of redundancy pay, pay in lieu of notice, and pension strain should special dispensation not be given to the new BC by MHCLG/ Treasury.
27. **Relocation** - Where relocation would be of benefit to both employer and employee in the fulfilment of their duties, this will be provided in full accordance with HMRC guidelines and limited to the current £8,000 threshold. The entitlement to relocation payments will be decided at the discretion of the pay committee with advice from the CEO in each case of senior appointments.
28. **Non Solicitation**- For a period of one year after the termination of employment that there should be a non-solicitation clause in the contract so that leadership staff do not solicit custom, directly or indirectly, from any customer of the Council with whom there has been contact prior to the termination of employment.
29. **Pay in Lieu of Notice and Pay on termination**- It is reasonable to expect that the Council may consider paying Leadership staff in lieu of working some or all of their notice period where it suits the Council. When an employee is paid in lieu of notice, they are released from their obligations under the contract of employment, although they will still be bound by post-termination restrictive covenants. The Council may wish to invoke this clause if it is concerned that the outgoing employee may damage relationships or where the Council wishes to limit the individual's access to confidential information.

Annex 1 - Buckinghamshire Council - Leadership Pay Broad Band

Detailed Pay information

Tier	JE Size	Source	Lower Quartile (info only)	Median	Upper Quartile
T2	1359 - 1708	Epaycheck	£128,000	£137,000	£145,000
		Hay Paynet	£131,000	£148,000	£171,000
		Mid-point salary		£155,000	
T3	1192 - 1358	Epaycheck	£90,000	£90,000	£107,000
		Hay Paynet	£108,000	£124,000	£148,000
		Mid-point salary		£120,000	

Buckinghamshire Council - Leadership Broad Band – Salary setting

Tier	Typical JE Size	Median	Mid-point salary	Upper Quartile
T2	1359- 1708	£140,000	£155,000	£170,000
T3	1192 - 1358	£90,000	£120,000	£150,000