

12 March 2024		ITEM: 6
Council		
Senior Manager Pay Review		
Wards and communities affected: All	Key Decision: n/a	
Report of: Graham Snell – Portfolio Holder for Finance		
Accountable Assistant Director: Tina Dempsey, Acting Assistant Director HR and OD		
Accountable Director: Dave Smith, Chief Executive / Managing Director Commissioner		
This report is Public – appendix 3 is exempt		
Version: Committee		

Executive Summary

On 5 December 2023, the Committee agreed the approach and underpinning principles to inform the design of a new approach to senior manager pay. The aims of which were to adopt national provisions for chief officers in local authorities that would determine grades and levels of pay with greater transparency and efficiency.

The formal consultation process with the senior managers took place between 1 to 29 February 2024 in accordance with the Council’s Change Management Policy. This report provides details of the proposals and requests approval to implement them, subject to the Committee’s consideration of the individual objections that have been received.

The recommendations contained in this report are reflected in the Annual Pay Policy Statement 2024/25 agenda item for this meeting of this Committee, which will be amended as necessary to reflect the decisions taken.

Commissioner Comment:

The Council’s Section 151 Officer has issued a s114 notice which places restrictions on what the Council can spend to ensure that the Council will be able to balance its budget in the future. However, the Council is permitted to continue spending on existing staff payroll and pension costs, and on existing legal agreements and contracts.

The processing for determining the annual pay increase for senior managers in 2023 was particularly challenging. In response, the Council made a commitment to review the approach to senior manager pay alongside the design and implementation of the future operating model.

Included in the letter received by the Council on 16 March 2023 from DLUHC, which expanded the previous directions to commissioners, gave them authority over:

- All functions associated with the Authority's operating model and redesign of council services to achieve value for money and financial sustainability.
- All functions to define the officer structure for the senior positions at the Authority, to determine the recruitment processes and then to recruit the relevant staff to those positions.
- All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions.

The revised senior manager pay framework ensures the reward package and associated administration represents value for money and reflects the changes to the officer structure for senior positions that have been implemented from August 2023. Work to deliver the required changes to performance management will follow completion of the Council's new Performance Management and Accountability Framework (PMAF).

1. Recommendation(s)

1.1 Approve implementation of the proposed senior manager pay structure

2. Introduction and Background

- 2.1 On 5 December 2023, the Committee supported a proposal for the Council to adopt national pay bargaining for senior manager's pay and apply the annual cost of living award agreed by the Joint National Councils (JNC) for Chief Officers and Chief Executives.
- 2.2 In addition, the Committee supported a proposal to adopt the Local Government Association's (LGA) Chief Officer job evaluation scheme to determine the grades of senior manager posts in place of the current process of grading posts based on an assessment of the median market rate for each role.
- 2.3 The current arrangements for annual pay increases and grading are set out in the Council's Pay Strategy and Pay Policy for Senior Managers which was implemented from April 2010. Since then, there have been a number of changes to senior manager roles, this includes the new senior management structure. Some grades have not been used for a number of years which indicated a review of the grade structure itself was necessary to ensure it reflects the differences in the responsibilities and capabilities required of each post.
- 2.4 Changes that follow the review require formal consultation in order to make the necessary amendments to current contracts of employment. Pending the outcome of the consultation, Committee agreed that the independent assessment used to determine previous annual pay increases can be suspended. Following the consultation, the new method for deciding pay awards will be backdated to 1 April 2024.
- 2.5 The benchmarking undertaken to inform this year's pay award confirmed that salaries offered to the Council's senior managers are competitive for an authority of our size and location. Therefore, it was not considered necessary for the review to look to increase overall levels of pay for senior managers beyond those necessary to transition to a new pay structure.

3. Issues, Options and Analysis of Options

3.1 Consultation Proposals

3.1.1 The changes to the Council's senior manager pay structure are proposed to take place in two stages.

3.1.2 The first phase proposes the following changes from 1 April 2024:

- arrangements for managing annual cost of living increases;
- determining the number of grades required;
- the process for determining grades; and,
- the design of the pay structure within each grade

3.1.3 The second phase, which will take place once the design of the Council's new Performance Management and Assessment Framework (PMAF) has been completed to ensure arrangements for the performance management and appraisal of individual senior managers is aligned with it, will include:

- the design of a performance management framework for senior managers; and,
- criteria required for pay progression and link with performance management.

3.1.4 **Annual Pay Cost of Living Pay Awards** – To operate efficiently, transparently and maintain competitiveness with other local authorities, it is proposed to align some core elements of the senior manager pay framework with those elements available nationally. In particular, the annual cost of living pay awards determined through the Joint National Councils (JNC) for Chief Officers and Chief Executives and the Local Government Association's (LGA) Chief Officer Job Evaluation Scheme.

3.1.5 There are clear benefits to an authority of Thurrock's size and resources from freeing officer time from management of local pay negotiations. Out of 45 authorities in 6 different regions responding to an established chief officer pay and benefits survey for local authorities in 2022, the majority apply the pay award agreed by the JNC. A number of those that do not apply a similar award or mirror the national increase. Applying the JNC awards will mean the Council's own rates of pay will increase in line with the sector.

3.1.6 Participating in the national pay award will allow the Council to contribute to the collective bargaining process to influence negotiations alongside other authorities. The annual process is led by the Local Government Association. Awaiting the outcome of national pay negotiations to be concluded will usually result in the increase being implemented later in the year and backdated to 1 April. This will mean that a decision on the pay increase will not be made through the Council's own budget setting process. A provision will be made based on assumptions applicable ahead of each financial year.

3.1.7 **Grading Senior Manager Positions** – It is proposed to use the LGA's Chief Officer Job Evaluation Scheme to provide a nationally recognised and sector specific method for grading jobs within a new senior pay structure. The scheme has been reviewed by the Equality and Human Rights Commission and the JNC for Local Authority Chief Officers. Selected Officers in the Council's HR function, who already undertake evaluations using a different local government scheme to grade jobs for the majority of the workforce, have been trained to use the scheme. The Council's application of the scheme to determine the proposed grade structure has been subjected to external quality assurance by the LGA.

3.1.8 **Senior Manager Pay Structure** – a new pay structure is proposed which consists of 5 grades. This will replace the current 11 pay clusters. Each grade has 6 points with a difference of 3% between. This is similar to the design of grades A to I on the Council’s pay scale. The proposed senior management pay structure is set out at appendix 2.

3.1.9 The design of the proposed grade structure and salary levels takes into account:

- **Current salary ranges** – the benchmarking undertaken as part of the process to decide the 2023 pay increase for senior manager provided evidence the Council’s current median salary levels were competitive.
- **Equal pay guidance** –the EHRC code of practice advises employer’s to consider potential risks if grades overlap, that is when parts of a lower grade are higher than some points on the next higher grade. If this does occur, the employer must be able to justify the grade each position is allocated. The use of a job evaluation scheme provides this justification. The EHRC also advise the breadth of grades should not be too long to limit the time taken to progress to the top of a grade. The development of a clear criteria for pay progression in phase 2 will further align with good practice.
- **The top of the main pay scale** – the top of grade I currently pays a salary of £82,272. To recognise the greater responsibilities of senior managers, there should be a clear gap between this and the start of the new senior manager pay scale.
- **Job evaluation outcomes** –following the evaluations using the LGA scheme, 5 points ranges were identified to determine grades for each senior manager post. On completion of the evaluations by the Council’s HR team, these ranges were compared to some other authorities who use the scheme and reviewed by the LGA team that supports authorities to implement it.

3.1.10 To reinforce that grades are determined by evaluation and not an external assessment of comparable job titles and responsibilities, the proposed grades are numbered SM1 to SM5. The responsibilities of certain types of roles will result in jobs that lead similar types, sizes and ranges of functions being found within the same grades. Based on the job evaluation outcomes to date, examples of roles at each grade are as follows:

Proposed Grade	Examples of roles expected to fall within evaluated grade
SM5	Chief Executive
SM4	Executive Directors and statutory chief officers on SLT
SM3	Other members of SLT e.g. Assistant Chief Executive, statutory officers not on SLT e.g. Director Public Health, and potentially other roles with more substantial portfolios.
SM2	Assistant Directors of front line functions and posts designated as deputy Monitoring and Section 151 Officers that hold full authority of the statutory officer in their absence.
SM1	Assistant Directors leading support services or front line functions in addition to Public Health Consultants.

- 3.1.11 The transition to the proposed pay structure would be managed by rounding up the existing salaries of senior managers to the nearest pay point in their new grade. This will result in no reductions in pay.
- 3.1.12 **Pay Progression within grades** – the criteria will be determined through a consultation process later in 2024 on a new performance management scheme for senior managers. The timing is dependent upon progress to develop the Council PMAF, as detailed in section 4.3 above.
- 3.1.13 This will include the on-going assessment of a broad range of performance management attributes to take into account their strategic, operational, leadership and personal development objectives and targets. The process for managing the annual appraisal process for senior managers will also be included so both the criteria for pay progression and the assessment of whether those criteria have been met are clearly understood.
- 3.1.14 **Transparency** - the future arrangements for managing senior manager pay and their entitlements must be transparent and understood by all stakeholders. Key provisions for senior manager pay are contained in the Council's statutory annual Pay Policy Statement. Levels of remuneration will continue to be published. For SLT, salaries and benefits such as pension contributions and expenses received are published in the annual statement of accounts. A summary of pay information is published for the top 3 tiers of the Council to comply with the requirements of the Transparency Code.
- 3.1.15 The changes to performance management will include a proposal to reintroduce the practice of publishing the Chief Executive's own appraisal. The last Chief Executive appraisal published on the Council's website is for the period 2018/19. This practice provides for greater scrutiny of the most senior leader and increases transparency for the community. The process will reflect the guidance on appraisal issued by the JNC for Local Authority Chief Executives.
- 3.1.16 The proposals mean no senior manager will have a reduction of salary in their substantive post. Therefore, no one impacted by the proposals will be placed on pay protection.
- 3.1.17 The maximum salaries in the grades of current senior managers are the same with the exception of 2 whose salary range will increase by £6,000 and 1 whose salary range will reduce by £4,000.
- 3.1.18 The alignment of existing grades to those proposed based on the outcome of the LGA job evaluation scheme is as follows:

Current Grade	Number of Posts	New Grade	LGA CO JE Points
CEO	1	SM5	1900+
DIR5	1	SM4	1600 to 1899
DIR4	4		
DIR3	Not in use	Deleted	
DIR2	2	SM3	1300 to 1599
DIR1	Not in use	Deleted	
AD5	3	SM2	1100 to 1299
AD4	7		
AD3	12	SM1	900 to 1099

AD2	Not in use	Deleted	
AD1	Not in use	Deleted	

3.2 Consultation Process

- 3.2.1 Prior to the start of formal consultation all senior managers who were identified as being in scope received a letter from the Chief Executive / Managing Director Commissioner. This was sent following the meeting of the Committee on 5 December 2023 to advise them of the pending proposals and the aspects of their remuneration that would be included. Further correspondence was sent from HR to provide an opportunity to submit updated job descriptions and supporting information to inform the evaluations using the LGA scheme. In view of the on-going appointment processes at this level, new contracts have stated that a pay review was being undertaken.
- 3.2.2 Formal consultation has been carried out in accordance with the Council's Change Management Policy and in adherence to employment legislation. The consultation was launched by the Chief Executive / Managing Director Commissioner at a meeting on Thursday 1 February 2024. Following the meeting a copy of the consultation business case was sent to all senior managers in scope with a letter detailing how the proposals impacted them individually and the Community and Equality Impact Assessment of the proposals. The consultation included a midpoint update on Wednesday 21 February 2024 and ended on Thursday 29 February 2024.
- 3.2.3 During the consultation all those in scope were requested to submit comments by email and were provided with the opportunity to request meetings to discuss the impact of the proposals.
- 3.2.4 The majority of the responses have considered the proposals to be clear and have indicated that they would accept a variation to their contract of employment with effect from 1 April 2024. In response to specific questions, reassurance was provided that salary values quoted would increase by the JNC pay award for April 2024 once it has been agreed and that any pay increase that resulted from this year's PDRs would be taken into account when moving to the proposed pay scale.
- 3.2.5 Some concerns were raised, the most significant of which regarded recognition of statutory chief officers and those who deputise for them and pay differentials between the top of the Council's main pay scale and Assistant Directors. Following a request, the Chief Executive / Managing Director Commissioner met with the individuals raising these issues to discuss their concerns in person. The issue regarding statutory chief officers was partially resolved through agreeing to provide a clearer explanation on why the Assistant Director posts that are designated the Deputy Monitoring and Section 151 Officers receive different recognition through the job evaluation process compared to Assistant Directors who deputise in the absence of their Statutory Chief Officer. There is a remaining challenge over why only these two statutory roles have designated deputies.
- 3.2.6 There are two aspects to the concerns raised about pay differentials between the highest point of grade I at the top of the Council's main pay scale and Assistant Directors pay. Firstly, differences in the value of pay awards have resulted in the highest point of grade I receiving cumulative cost of living pay increases 0.5% higher than senior managers since 2019/20. Secondly, the difference in pay between grade I and Assistant Directors does not fully reflect

the additional responsibilities as senior managers which can include substantially higher levels of qualification and professional regulation.

- 3.2.7 The Chief Executive / Managing Director Commissioner advised that the scope of the consultation did not include providing general uplifts in senior manager pay beyond any adjustments necessary to establish a new pay structure which was informed by and maintained by nationally available solutions that were applicable to local government. In addition, reference was made to benchmarking the levels of senior manager pay with London Boroughs and Unitary Authorities through last year's pay review and similar process that was undertaken of jobs on the main pay structure up to grade I in support of the PwC review. These both found that levels of pay were comparable to the median pay levels of other employers after taking into account the Council's geographical location. There is also flexibility to appoint anywhere within a grade to recognise differences in experience, skills and market position.

3.3 Outcome and Implementation of Consultation

- 3.3.1 Having considered all the responses to the consultation, the majority of which have indicated agreement, it is proposed to implement the changes to the senior manager pay structure detailed above.
- 3.3.2 Work is continuing to resolve the outstanding concerns of the minority that have raised objections with the aim of securing their acceptance. This is outlined in appendix 3 with an assessment of the options and risks for managing the implementation.

4. Reasons for Recommendation

- 4.1 The recommendation to implement the proposed changes to senior manager pay achieve the objectives of a more straightforward model of determining levels of remuneration and arrangements for managing future increases through cost of living and progression within grades. These proposals will align the Council to established and robust practices available to authorities nationally through the LGA and JNC.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Formal consultation has taken place with all substantive senior managers in post at the start of consultation and the Trade Unions recognised by the Council informed of the proposals and invited to participate.
- 5.2 Outstanding concerns that could not be resolved through the consultation process are included in appendix 3 for the Committee's consideration.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The proposed changes are reflected in the Annual Pay Policy Statement 2024/25, subject to any changes requested by the Committee.

- 6.2 The second phase to consult on the new performance management scheme for senior managers will align the process of objective and target setting to the Corporate Plan and Performance Management and Accountability Framework.

7. Implications

7.1 Financial

Implications verified by: **Jo Freeman**
Head of Financial Management
6 March 2024

The actual cost of the proposed pay structure for current senior managers in place and successful applicants following recent recruitment activities is £4.482m compared to £4.456m in the current pay structure. The increase of £0.026m is the result of moving postholders into the new pay structure by rounding their current pay up to the nearest spinal column point.

The proposals mean that the Council will no longer be required to commission an independent assessment to recommend pay awards or determine grades for each senior post. These costs are approximately £4k per annum.

The proposed pay structure contains more pay points within each grade, which potentially offers greater flexibility when negotiating salaries on appointment compared to the current pay scale. This may give better control over future pay costs.

There was only one occasion in the last 5 years when the application of the annual JNC cost of living pay awards would have resulted in a materially higher increase than the current method for increasing pay based on an independent assessment of median pay each year. Maintaining competitive levels of pay in line with the wider local government sector will support the Council to attract and retain senior leaders and reduce the risk of costs associated with high levels of turnover.

The second phase of the review will make proposals for an enhanced performance management scheme. The design will need to balance the need to incentives and recognise high levels of performance and account the need to control future pay growth

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services
07.03.24

The terms and conditions of the contract of employment for Senior Management at Thurrock Council contains key contractual provisions in relation to remuneration for senior management roles, for review, and for calculation of annual cost of living increment. The report outlines the Council's proposal for a new Senior Management pay structure to be implemented in two phases.

Contracts of employment can be varied, by express agreement with employees. The report sets out the approach the Council has taken to reach agreement to vary the contracts in the way proposed.

Should agreement not be reached with employees, the employment contract includes a clause on varying the Contract and states, “any changes will be advised in writing and three months’ notice of variation given. Consultation will take place before any changes are formalised.” The Council will consider the application of the flexibility clause where there is no agreement to a variation.

There is a need to ensure that the proposed changes do not discriminate in any way against anyone or any group with protected characteristics. It is noted that an Equalities Impact assessment has been undertaken and no adverse impacts have been identified.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Lee**
Team Manager – Community Development and Equalities
4 March 2023

The Community and Equality Impact Assessment undertaken and shared as part of the consultation identified no adverse impacts.

The proposals have considered and reflect good practice and guidance on equal pay from the Equality and Human Rights Commission.

7.4 **Risks**

To reduce the risk of potential litigation, subject to Committee agreeing the recommendation to implement the changes to senior manager pay, employees in scope of the consultation will be asked to agree to the variation to their contract in writing. The majority of whom have indicated they would accept this change.

The options available and the risks involved with regard to those who have stated an objection are contained in appendix 3.

Maintaining competitive pay and conditions helps to mitigate recruitment and retention risks.

Benchmarking has been undertaken to ensure levels of reward and in line with median pay rates calculated with reference to London Boroughs and Unitary Authorities to ensure they represent value for money for taxpayers.

The use of a factor based equality proofed job evaluation scheme provides the Council with an objective method to account for differences in grades and defend equal pay claims.

7.5 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None identified.

- 8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):
- Annual Pay Policy Statement 2022/23 - Full Council – 25 January 2023 – report available [here](#)
 - Pay and Reward Review - General Services Committee – 27 June 2023 – report available [here](#)
 - Revised Annual Pay Policy Statement 2023/24 – Full Council 27 September 2023 – report available [here](#)
 - Revised Annual Pay Policy Statement 2023/24 – Full Council 29 November 2023 – report available [here](#)
 - Senior Manager Pay Review - General Services Committee – 5 December 2023 – Exempt – agenda available [here](#)
- 9. Appendices to the report**
- Appendix 1: Existing Senior Manager Pay Clusters
 - Appendix 2: Proposed Senior Manager Pay Scales
 - Appendix 3: Implementation arrangements - options and risks (exempt)

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Pay and Reward Specialist

Corporate Services

Appendix 1 – Current Senior Manager Pay Scales

Senior officer pay bands have 3 pay points. They are a:

- **lower point** for a post-holder with sufficient competence or experience but with some development needs – this is expected to apply to some appointments at the time of recruitment.
- **median point** for a fully competent and appropriately experienced or qualified post-holder – this is expected to apply to most appointments.
- **higher point** for an exceptional post-holder – the difference between the median and higher point will be paid only as an additional non-consolidated payment for 'exceptional' performance.

Senior Manager Pay Scales 2023/24

		50/50% Lower Base Pay		50/50% Median Base Pay		50/50% Higher Base Pay
	SCP	Annual Pay £	SCP	Annual Pay £	SCP	Annual Pay £
CEO	31	176,500	32	193,500	33	207,000
DIR5	28	137,500	29	150,500	30	160,000
DIR4	25	128,000	26	142,500	27	150,000
DIR3	22	119,000	23	133,000	24	136,000
DIR2	19	106,500	20	117,000	21	122,500
DIR1	16	100,000	17	111,500	18	114,000
AD5	13	96,000	14	106,500	15	111,000
AD4	10	94,000	11	103,000	12	106,500
AD3	7	88,500	8	99,000	9	102,000
AD2	4	83,000	5	91,500	6	96,000
AD 1	1	78,500	2	83,000	3	91,000

Appendix 2 – Proposed Senior Manager Pay Scales

Proposed Grade	Proposed Pay Points £						Breadth %
	1	2	3	4	5	6	
SM5	178,560	183,917	189,434	195,117	200,971	207,000	16
SM4	134,567	138,604	142,762	147,045	151,456	156,000	16
SM3	105,670	108,840	112,105	115,468	118,932	122,500	16
SM2	95,750	98,622	101,581	104,628	107,767	111,000	16
SM1	87,986	90,626	93,345	96,145	99,029	102,000	16