

WANDSWORTH BOROUGH COUNCILPOLICY AND FINANCE COMMITTEE - 20TH NOVEMBER 1990Report by the Chief Executive and Director of Administration on  
proposed changes to the Conditions of Service for Chief Officers  
including the introduction of Performance-Related PaySUMMARY

This report presents proposals for the introduction of new conditions of service for Chief Officers, (i.e. the Chief Executive, Deputy Chief Executive, Directors and officers on the Special Principal Officer (SPO) grades following the review of SPO salaries undertaken by HAY Management Consultants Ltd. Proposals for assimilation on to new conditions of service, changes in leave entitlement, "cafeteria" options for purchase of additional benefits, enhanced death benefit and the introduction of a performance related pay scheme are brought forward for consideration.

Introduction

1. In October 1989 the Establishment Committee received a report (Paper No.6221) on a study of remuneration arrangements for senior SPO grade staff. The report compared Wandsworth salaries with the median for the industrial and commercial sector and other London local authorities. It concluded that certain benefits should be uplifted, leased cars should be introduced and that a performance related pay (PRP) scheme should be implemented for senior staff. The Establishment Committee accepted the recommendation of a PRP scheme in principle and called for further work to be undertaken to propose detailed recommendations for changing remuneration conditions for senior staff including the introduction of a PRP linked to targets and performance measures.
2. Since then substantial work has been undertaken to move towards the detailed proposals which are presented in this report. HAY Management Consultants Ltd. (HAY) have provided further advice on a detailed scheme and an updated assessment of how Wandsworth's salaries compare following the latest 1990 pay round. Although it is clear that Wandsworth's relative position for some senior posts has deteriorated over the 12 months since the last report, the total cost of implementing the HAY proposals would be in the first complete year (1992/93) in the region of £0.6M. The Chairmen of the Establishment and Policy and Finance Committees have been consulted and consider that at the present time and



in the Council's present financial circumstances immediate implementation of a full HAY-type package is not possible. However, they instructed the officers to prepare a package of measures which build on HAY's basic recommendations and which should restore Wandsworth's competitive position. This includes introducing a PRP scheme for all SPO's, providing longer pay scales with more "headroom", and a "cafeteria" approach to benefits such as leased cars, so that officers performing well could earn bonuses to purchase such items.

Proposals to offer SPO's a revised contract including a performance related pay scheme (PRP) are presented here. Prior to introducing a PRP scheme for senior staff, the HAY recommendations for making substantial progress in formalising and updating the "MINDER" systems which monitor service area performance were followed up. Improvements have now been made and a battery of initial performance measures put in place which build upon current "best practice" as recommended by the Audit Commission. Work has also been undertaken to improve targeting for senior staff (since April 1990) so that the proposed PRP scheme can also be effectively tied to performance against a group of key targets set for each SPO. Following all this development work, this report now presents detailed proposals which are set out below.

#### The Original HAY Recommendations

3. The HAY report in October 1989 recommended that the Council should adopt a new pay policy for senior staff that would:-
  - (a) pay a basic salary and benefits at around the market median for the inner London commercial and industrial sector;
  - (b) aim to retain good and experienced senior staff by creating more "headroom" via longer pay scales;
  - (c) move to a system of PRP, paying cash bonuses for the achievement of targets, a fraction of which would be consolidated into the base salary as a permanent increment on the pay scale.

In detail, these three recommendations were translated by HAY as implying:-

- the Council add only a little to its base salary practice;
- the Council make available cash bonuses of up to 15% of base salaries at all levels which are partly consolidated and earned only if very specific measurable targets are achieved and the basic performance of services is maintained. This would be a total cash policy of between median and upper quartile;
- the Council introduce cars for appropriate jobs (worth £3,000 - £4,000 per year per employee);
- the senior posts be graded on the HAY system and a number of pay bands be created based on market levels, and annual cost of living awards be made based on the HAY annual pay survey;
- individual targets be established and job accountabilities sharpened up for senior posts, and the "MINDER" system be developed to monitor performance against targets;



- a number of minor enhancements be made to the senior staff benefit package to reflect the common market practice (e.g. enhanced death benefit).

These recommendations were discussed with HAY in relation to their direct applicability and have been subsequently adapted under guidance from the Chairmen of the Policy and Finance Committee and the Establishment Committee into a package described in the remainder of the report.

#### Proposed New Salary Scales

4. HAY has a system of assessing job content through a HAY job-evaluation scheme. During the process of their review of Wandsworth's pay structure they evaluated and provided points scores for all SPO's then in post and trained Council staff in using their scheme. HAY generally recommends a system whereby individual jobs are assessed and allocated a points score based on job content. This points score is linked to the "mid point" of a salary band unique to that job. HAY recommended that such salary bands extend between 85% and 115% of the mid point salary. Within that range, the salary paid to the job holder would be based on performance against agreed standards, his or her experience in post, and his or her value to the organisation. At first appointment, the job holder's salary position would normally be assessed, as now, by taking account of experience, qualifications, etc. In each subsequent year, there would be an assessment of performance through a PRP scheme (see details in paragraph 12 below), which could lead to some change in position in the salary range. In addition, the mid-point salaries linked to each points score would be adjusted annually using market-related data to take account of the effects of inflation. Such a scheme has the advantage of providing relatively long salary scales and thus providing "headroom" for good performers to increase their earnings for several years.
5. HAY recommended that Wandsworth's existing salary scales for SPO's did not allow enough "headroom" for growth as they provide only four fixed salary progression points. Careful consideration has now been given to introducing the HAY job evaluation scheme and salary structure in Wandsworth. It is considered that the evaluation scheme is an improvement on existing practices and that the flexibility of longer pay scales is a distinct advantage in the retention and motivation of experienced staff. However, a scheme whereby each SPO has an individual pay range is not recommended, as it is felt that such a move could lead to a series of requests for reassessments of individual scores. HAY also recommended that a banded approach be adopted.
6. It is therefore recommended that new broad pay bands be constructed around the HAY points scores to create five new pay bands as set out in Appendix I. Detailed analysis of the HAY scores has established that the "best fit" would be to create 3 separate top bands for the Chief Executive, the Deputy Chief Executive and Directors, a fourth band for existing SPO3's and a fifth combining the existing SPO2 and SPO1 bands. The HAY pointing of existing jobs gave rise to a few anomalies in that some jobs were pointed relative to others in a way which did not reflect existing salary differentials. Furthermore, evaluations were carried out before the transfer of Education and therefore did not fully reflect the final disposition of new responsibilities at senior level for this function. However, the apparent anomalies were minor in the case of all but two posts, the duties of which will be updated and points reviewed by the Chief Personnel Officer whose staff have now been fully trained by HAY.



Assessments will be independently verified by LACSAB. To deal with any other requests for re-evaluation it is recommended that a review procedure at officer level should be established similar to the existing procedure for SPO's approved by the Establishment Committee in February 1985. It should be pointed out that only those whose points are at the margin of the bands or whose job has changed substantially will have any expectation of moving between bands. For SPO's the claim would be considered by a panel consisting of the Chief Executive, the Chief Personnel Officer and an independent Director, with authority delegated to the Chief Executive to implement the decision of the panel.

#### Assimilation into the new bands

7. The three new pay bands for Directors and SPO's represent groupings of staff who are considered by the HAY criteria to have broadly comparable responsibilities. It is proposed to offer a revised contract to individual SPO's on the basis of transferring to their new HAY band on their existing actual salary including the existing additional cash benefits of London Weighting and travel allowance in the total base salary figure. Individuals will be assimilated on to the band at their existing salary. If the mid (100%) point for the lowest band were, say, £40,000 and the individual is already earning £40,000 he or she would be assimilated at that point and therefore have headroom of 15%, whereas if an individual already earns £42,000 they would be assimilated at 105% of their HAY band. In order to ensure that every SPO has some headroom for improving their salary, it is proposed that individuals whose existing salary would mean that they would be assimilated at a point higher than 108% of their band are given "headroom" of 7% on a personal basis. The only anomalies are the cases of the Chief Executive, the Deputy Chief Executive and the Director of Education where the difference between HAY levels and the current scale is such that assimilation at current salary results in the scale having to extend down below 85% of the market median. The mechanism for moving up the band is linked for all SPO's to the PRP Scheme (see para. 13 below). Details of the results of existing post evaluations and the resultant assimilation points are given in Appendix II. (These details constitute exempt information and are dealt with separately under a later item on the agenda for this meeting). London Weighting and Travel Allowance will be assimilated into the new base salary so that in future they will disappear as separate elements of pay. The consolidated travel allowance will become subject to a 6% deduction for superannuation and also the subject of an employee's contribution. The JNC for Chief Officers' Scheme of Conditions of Service (the "Blue Book") recommended salary scales will no longer be used as the base determinant for local pay scales and paragraph 31 (Appeals) of that Scheme which provided for external appeals will no longer apply.

#### Cost of living

8. It is proposed that, in future, for those opting into the new scheme, the cost of living award will be calculated by applying the HAY cost of living index based on the percentage cost of living rise for the industrial and commercial sector in London over the twelve months previous to the award. HAY operate a very extensive database of pay assessments and it is recommended that the Council subscribe to this. This will ultimately mean



the Council will not be linked in any way to national pay agreements for SPO's. SPO's currently receive their award in July each year and it is not proposed to change this timing. In future, London weighting awards and essential car user allowance awards will be replaced by uprating of the pay bands based on rises in the composite HAY cost of living index.

#### The Performance Related Pay Scheme

9. HAY recommended that consideration should be given to introducing a PRP scheme for SPO's linked to targets and performance monitoring. This would bring senior management into line with the PRP scheme for the Principal Officer grades which has been running since 1989. In considering the options for offering SPO's new conditions of service the Chairman of the Establishment Committee has been consulted and she has confirmed that she favours the fostering of a true performance culture within the Council at this level and recommends linking any enhancements in current pay scales firmly to an effective PRP scheme.
10. Accordingly, it is proposed that performance of Chief Officers should be appraised on two fronts as recommended by HAY: A performance in achieving specific goals set annually, and B, basic performance of services under the direction of the SPO's including output, budget and quality. The weighting to be attached to these two areas would be decided by the Director concerned and might typically be 50:50, but could in certain cases be strongly weighted to one of the two areas. Assessment would be on performance achieved, taking all the circumstances into account. Thus, allowance would be made for external factors, and problems outside the control of the individual SPO.

#### A. Performance in achieving specific goals.

11. Typically, somewhere between four and eight major targets have been set for each SPO. It would be expected that there would be a reasonable probability of attaining them provided external factors did not change. Targets will be as tight as possible including specific dates for task completion and financial targets. Progress against these will be reviewed every three months as part of the normal MINDER process (Wandsworth's management information, monitoring and review system) and problems and progress noted. Directors may wish to give greater weights to some targets than others. It is anticipated that targets would be mutually agreed between each SPO and the Director on a similar basis to that operating in the Council's middle management PRP scheme. Directors themselves would have targets set by the Chief Executive and Deputy Chief Executive. The Chief Executive and Deputy Chief Executive would have targets set by a small sub-committee, the arrangements for which are dealt with in paragraph 16 below. A first set of targets was set for SPO's at the start of the current financial year. Subsequently these have been refined for the second half of the year for all SPO's.

#### B. Basic performance of services.

12. The second element of assessment would be based on general running of services under the control of the SPO. To assist in this, and to provide an extension of MINDER information along the lines suggested by the Audit Commission of better comparative cost, performance and quality data, a first tranche of improved measures has been prepared. Much of this improved performance data will depend on more accurate cost data for individual services, including unit costs for services, and the need to



refine their measures further will be reflected in individual SPO's targets. As some SPO's have direct line management responsibility for running services, and others only indirect or partial responsibility, the weights attached to this general performance measure will vary, as noted above. It is not anticipated that there will be a purely mechanical relationship between performance measures and an SPO's assessed performance. Appraisal will again be on performance taking account of all circumstances. No particular measure will be used, rather the whole battery of performance measures will be used as a backcloth to appraise the SPO's achievements in relation to running routine services. Assessment of an SPO's performance would again be on a very simple formula: a 5-point scale is suggested. Directors can, if appropriate, give weights to particular factors or individual services in arriving at an overall score between 0 and 5.

#### Translation of assessment scores into PRP bonuses

13. There are a number of options available for introducing a payment system for PRP. HAY advised that quite significant bonuses are usually made available at this level of management and awards of up to 15% or 20% in a given year are typical. However, the issue also arises as to how much, if any, of any PRP bonus awarded to an individual officer should be consolidated each year into basic pay. At present SPO's are on a four point scale with increments averaging 2.4%. Having said this, many are already on the top of their scale and have, therefore, effectively run out of "headroom" for any automatic annual progression. However, no consolidation of bonus would mean that an SPO's base salary will not rise as it does through the existing incremental scales, and good performers receiving average bonus payments will actually start to lose in salary terms after the first 3 years. The consolidation of a proportion of the bonus awarded was considered by HAY to be an important element of the scheme. Taking the cost, the percentages involved and the requirement to retain at least 4 years "headroom" on new grade ceilings for SPO staff, consolidation of 1/3 of PRP bonus awarded seems the most well-balanced option. Thus if an individual were awarded the average of 7.5% PRP bonus 2.5% would be consolidated into basic pay for the following year (i.e. the year immediately following the one for which performance is assessed). It should be noted that, as assessment of bonus and payment will not take place until June/July of the following year, the final salary for that year will also not be known until then, and the bonus for the previous year will be paid together with arrears of salary due to the consolidated part of the bonus for the current year.

HAY in fact proposed a slightly different system: that the consolidated bonus would relate to assessment of performance on the basic performance measures of running the services and the unconsolidated bonus to achievement against annual targets. Thus, if an officer performed similarly on both areas, with a 50:50 weighting, they would receive 50% consolidation. However, this arrangement is felt to be rather complex to administer in practice, possibly giving rise to a perception of unfairness, as consolidation would be applied differently for different officers and also would lead to a more rapid growth in salary costs than a flat 1/3 consolidation.

14. If the overall bonus is to be as high as 20% and 1/3 is to be consolidated, it is important that the scheme is designed to reward the high performers and not poor or just average performers. It is therefore proposed that, in addition to the careful preparation of targets and



performance measures, the PRP scheme is cash limited to reflect a reasonable distribution of results. Total payments will therefore be limited to a ceiling figure of only 7½% of total current salaries with an expected distribution as set out in table 1 below:

**Table 1**      Expected Distribution of 7½% Average PRP Bonus

	<u>Poor</u>	<u>Satisfactory</u>	<u>Good</u>	<u>Excellent</u>	<u>Out- Standing</u>
Award Ranges	0%	0 - 5%	5-10%	10 - 15%	15 - 20%
% of SPO's expected in each range	5%	20%	50%	20%	5%

Clear guidelines would be given to Directors to ensure that the above distribution pattern is adhered to.

Safeguards for Opting Into New Conditions

15. There is some concern from SPO's about opting into a scheme which provides no guarantees of yearly increments, particularly for those who currently have several incremental points to climb on their existing salary scales. In order to make the scheme attractive in the short term to officers with increments ahead of them, it is therefore proposed that such SPO's should be guaranteed consolidation of at least 2.4% for each year that they would have received an incremental progression, regardless of the PRP bonus awarded to them. This should help to ensure that all SPO's see benefits in opting into the scheme. Those not choosing to opt into the scheme because of concerns about loss of increments would retain their contractual rights to the increments in any case.

Assessment and Moderation Arrangements

16. It is proposed that each Director should assess his SPO's and make a recommendation for bonus payment. However, this should then be moderated and, where appropriate, confirmed by a panel comprising the Chief Executive, Deputy Chief Executive and the Chief Personnel Officer who will ensure that the recommendations are reasonable, that a fair distribution across departments has been achieved and that the overall cash limit of 7½% has not been exceeded. For Directors, the Chief Executive and Deputy Chief Executive would carry out assessments assisted by the Chief Personnel Officer. In each case, it is proposed that authority be delegated to the Chief Executive to implement the decision. It is proposed that the setting of targets and the assessment of performance of the Chief Executive and the Deputy Chief Executive should be carried out by a Performance Review Sub-Committee, which it is proposed should consist of 4 members. Under the provisions of the Local Government and Housing Act 1989, the Committee must determine the allocation of seats according to the "proportionality" rules, i.e. to reflect the political composition of the Council. The allocation



would, on this basis, therefore be 3 seats to the Majority Party and 1 seat to the Minority Party. The Committee must also appoint to those seats the Members notified to the Director of Administration. The nominations received from the Leader of the Council for appointment to this Sub-Committee are the Leader himself, Councillor Heaster (the Chairman of the Policy and Finance Committee) and Councillor Mrs. C. Thompson (the Chairman of the Establishment Committee). Any nomination received from the Leader of the Opposition will be reported to the Committee. (A political group is allowed 3 weeks from the date on which notice is given of the allocation of a place to be filled by its nominee, otherwise the Committee "may make such appointment to that seat as they think fit.").

#### OTHER BENEFITS

##### Death Benefit

17. HAY pointed out that the Council's death in service benefit currently offered as part of the pension scheme was only one year's salary compared with an industry norm of 4 years. Costings for enhancement to 2, 3 and 4 years salary have been established as £10,000, £20,000 and £30,000 p.a. respectively. Following discussion with the Chairman of the Establishment Committee it is recommended that the death benefit for SPO's be raised by adding 3 years to the current entitlement. For staff who are not members of the Council's Superannuation Scheme this would mean 3 years death benefit only.

##### "Cafeteria" Options

18. Other benefits are considered below (in paragraphs 19 and 20) and it is recommended that, if SPO's wish to avail themselves of any of these benefits, they should be entitled to do so through "cafeteria" options and that the benefit be purchased out of total cash salary.

##### Fast Pension Build-Up

19. In the past interest has been expressed in an option to allow fast build-up of pension. This would be attractive to potential entrants in mid-career without transferable pension rights. Because of constraints within the Local Government superannuation legislation it is not easy to give any special option of this nature within the existing Superannuation Fund beyond the existing facility to purchase added years, which does not suit all such cases. However, there is now the ability to pay AVC's (Additional Voluntary Contributions) subject to the general capping level referred to below to buy extra benefits outside the Council's Fund, and this should enable most requirements for this facility to be met. Staff wishing to obtain higher pension benefits will be able to elect to make a larger contribution under this head out of their total remuneration package through the "cafeteria". This seems fairer than distorting the overall HAY points system by giving an added pension benefit to particular posts. If there proves to be difficulty in filling particular posts and it is felt important to attract mid-career applicants, the pension options can be stressed and, if justified, a scarcity supplement could be added. It is likely that the importance of this option will decline as all new pension benefits are to be capped at a fixed level of £64,800 salary in cash terms.



### Cars

20. The HAY report made great play of the prevalence of "status" cars at SPO level in the private sector, and indeed it is now very common for SPO level jobs in other boroughs to have leased cars. However, the future attractiveness of such cars seems likely to wane as the Government is expected to reduce the tax benefits. The Council is also keenly aware of its environmental policies and has a policy of not encouraging car usage. The best solution, therefore, seems likely to allow a car as an option that can be bought out of the total remuneration package. It is not proposed to subsidise this scheme in any way, so the Council would arrange the leasing of an appropriate car and the individual would pay for it from their salary. The benefits of this scheme will depend on the individual's tax situation and family circumstances.

### Leave

21. In return for the enhancement of contract conditions there might be expectations of Chief Officers giving up existing benefits if these exceeded market norms. HAY pointed out that current leave entitlement was 5-7 days above the average in the comparable company group. It is therefore recommended for SPO's that new contracts should require a surrender of 3 days leave and only offer 28 days leave (plus the 2 extra-statutory days to which all Council staff are entitled under the existing annual leave agreement), plus the facility to take a further 3 unpaid days leave if required, instead of the current 31 days (plus 2 extra-statutory days) entitlement. Directors and above would be entitled to 29 days, plus 2 extra-statutory days, plus 3 days unpaid leave if required.

### Other Contract Conditions

22. It is also proposed that on, joining the scheme, SPO's would be required to surrender their current right to claim subsistence allowance and that this allowance be consolidated in the new pay bands. The health care arrangements already provided for this group would continue. Officers in this group would not normally be eligible for Special Recognition Payments as the assessment of performance would take account of any special circumstances or factors. In general, all other terms and conditions of service as set out in the Council's existing contract of employment for Chief Officers would continue to apply with the exception of paragraphs 22, 31, 32 and 43 to 54 (inclusive) of the JNC Scheme of Conditions of Service for Chief Officers of Local Authorities (the "Blue Book"). (These paragraphs deal with leave, pay and appeal procedures, all of which are replaced by the proposals in this report).

### Market-related supplements

23. At present, no SPO's receive market-related supplements other than 5 who receive leased cars as recruitment and retention benefits. Where supplements and/or leased cars are provided for complete professional groups such as accountants or valuers, the cut-off is at PO8 level. HAY pointed out that there could be justification for extending the concept of market supplements to SPO level for key professions where market scarcity is a factor. In these cases a HAY-related salary would be below the market salary, and the HAY report poses this as an option. For certain posts this could be justified, and it seems wise that this should be



available as an option, providing that the need for a supplement for a particular post was proved by the normal process of testing the market and obtaining approval from the Staff Management Sub-Committee. In any case, the 5 existing leased cars for SPO staff will need to be reviewed by the Staff Management Sub-Committee after their 3 year term to consider the case for continuation under recruitment and retention criteria.

#### Implementation

24. The Chairman of the Establishment Committee is concerned that the trend in London and elsewhere towards more attractive remuneration packages at the Chief Officer level has meant that some Wandsworth SPO salaries are now around the median level, whereas in the past, bearing in mind Wandsworth's size (the largest Inner London Borough) and inner city characteristics, it has been the Council's policy to aim to pay within the upper quartile level. The JNC for Chief Officers increased all nationally-agreed pay scales by 10% from this July to allow flexibility for Councils to bring in PRP schemes. Recent information on market levels is given in Appendix III and it can be seen that an increasing number of Councils now have a PRP scheme and higher basic scales. For this reason, and to recognise the recent broadening of responsibilities of many senior officers with the Education transfer last April, the Chairman of the Establishment Committee considers that an immediate start should be made on the system. Since targets have been set with reference to the second half of the current year, she recommends that an initial PRP pilot scheme should commence with effect from 1st October 1990, and that staff be asked to confirm within one month of approval of the recommendations in this report whether they wish to be included. Consolidation of travel allowance into basic salary would however take effect for those joining the scheme from 1st January 1991 to simplify administration.

#### Financial Implications

25. The financial implications of the proposals set out above (at current prices) are summarised in the Director of Finance's comments in paragraph 27 below.

It is instructive to compare the cost of implementing the HAY proposals as formulated in their report.

	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>	<u>1994/95</u>
	£	£	£	£
Death benefit to match market practice	-	30,000	30,000	30,000
Car leasing to match market practice	35,000	100,000	100,000	100,000
Initial adjustment of pay scales to match market median, plus 15% PRP scheme (assumed 7.5% average payment + 50% average consolidation)	139,000	374,000	486,000	723,000
	<u>174,000</u>	<u>504,000</u>	<u>616,000</u>	<u>853,000</u>



It can be seen that both in the short and medium term the proposed scheme has significantly lower costs and they are incurred at a later date than under the original HAY proposals.

#### Review of Scheme.

26. It is recommended that the first 6 months of operation and the assessment procedure should be reviewed and any desirable adjustments to the mechanism made at that time, although the overall benefits package for PRP should be maintained at 7.5%. After 3 full years operation of the scheme, unless circumstances necessitate any earlier review, it is recommended that a full reappraisal of the scheme and the competitiveness of the Council's position in the pay market be made.

#### The Director of Finance's Comments.

27. The Director of Finance reports that the effects on remuneration of the above proposals (at current prices) are as follows (assuming 100% membership of the new scheme):-

	1990/91	1991/92	1992/93	Expected position at major review after 3 full years (1994/95)
	£	£	£	£
Enhancement of Death Benefit to four years	-	30,000	30,000	30,000
Cash limited PRP Scheme (av. 7.5% paid following July plus one third of PRP consolidated in year of payment)	-	136,100 (6 months)	309,700	463,200
Cost of Council Super- annuation contributions on integrating travel allowance into basic salary	2,000	8,000	8,000	8,000
Cost of joining HAY	<u>1,200</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total	3,200	176,100	349,700	503,200

Less - reduction of leave entitlement and consolidation of subsistence payments. Notionally these may be worth £1,000 on average for each SPO - giving a theoretical saving value of some £50,000. In addition, existing increments would add some £36,000 p.a. in any event to the salary bill.

The recommendation not to provide subsidised leased cars accounts for most of the cost saving compared with the original HAY proposal, (approximately £100,000 per annum), the slower consolidation of PRP bonus into basic pay saves an average of 1.25% per annum on basic pay equivalent to £35,000 per annum, and the HAY proposal anticipated the scheme payments commencing in 1990/91, effectively advancing the cost cash flow by one year.



In practice, phasing of annual costs will depend on staff turnover and the distribution pattern of the consolidated element of PRP awards but will be limited to a maximum pool of 10% of salary for the year (comprising 7.5% average bonus, paid in July based on the previous year's performance, and one third of this bonus consolidated within the year of payment from April).

Departments will be required to find a sum equivalent to 7.5% of their relevant salaries to establish the PRP pool, and to identify funding each year for the consolidated elements applicable to their staff.

Assuming full allocation of the pool and an average consolidation element of 2.5% in the initial 3 year period during which most staff are likely to remain within their scale maximum, the additional remuneration in 1991/92 of £176,100 is equivalent to £0.92 per adult, rising to a theoretical maximum of £807,600 equal to £4.20 per adult if all staff were to progress to and remain on the maximum point of the scale to which they are assimilated.

However, with the general improvements in performance expected to flow from the scheme, the additional costs will be met from within existing budget as they arise. For this to be achieved with clear benefits to services and community charge payers it is essential that the proposals develop as a genuine performance-related scheme. Directors' targets for the coming months include the development work necessary to meet this requirement.

28. The Chief Personnel Officer's Comments

This report establishes an entirely new procedure and job evaluation system for the local determination of Chief Officers' remuneration outside the prescriptions of the population-based formula used in the national agreement made by the JNC for Chief Officers and replaces existing local job grading criteria adopted in 1984. Officers who elect to transfer to revised terms and conditions of employment incorporating the proposals in this report will be issued with new contracts of employment accordingly to take effect from 1st October 1990. Annual cost-of-living awards will continue to be applied on 1st July annually using the HAY index.

29. The Chief Officers' Group

The Chief Officers' Group has been consulted and any comments they submit will be reported to the Committee.

30. The Staff Side

A copy of this report has been sent to the Staff Side. Any comments received from them will be reported to the Committee.

31. Recommendations

The Committee are recommended:-

- (1) to recommend the Council to agree that all the proposals in this report relating to new terms and conditions of service for the Council's Chief Officers be approved and, in particular -



(a) that the current basis for determining the remuneration of the Council's Chief Officers (i.e. the population-based formula used in the national agreement made by the JNC for Chief Officers of Local Authorities and the Council's local job grading criteria) be replaced by the arrangements proposed in this report;

(b) that the elements of the new remuneration arrangements be as follows:-

(i) five salary bands, as detailed in Appendix I, uprated annually in July by applying the HAY Management Consultants (HAY) cost of living index change for the industrial and commercial sector in London over the 12 months prior to the award and with London Weighting and subsistence and travel allowances consolidated within those bands;

(ii) assimilation, as indicated in Appendix II, based on points under the HAY scheme, at July 1990 salary level (including London weighting and travel allowance) which constitutes a point between 85% and 115% of the mid point of the appropriate salary band (except for the officers identified in paragraph 7);

(iii) progression up the band to be determined by a performance-related pay (PRP) scheme with the following features:-

- bonus payments ranging from 0% to 20% of base salary, cash limited in total to 7.5% of the total current salaries in the scheme;
- 1/3 of any bonus earned to be consolidated in the base salary in the immediately subsequent year until 115% of the mid point on the HAY band is reached except in those cases, identified in Appendix II by an asterisk, where assimilation is above the mid point and "headroom" of 7% on a personal basis is allowed; and
- guaranteed consolidation of at least 2.4% of base rate increase to be paid for each year that an incremental progression would have been due under an existing contract, regardless of what PRP bonus is awarded;

(iv) death benefit enhanced by three years salary;

(v) the "cafeteria" options to arrange a lease car through the Council's contract and to make larger pension contributions, in both cases paid for by the individual officer from the total remuneration package; and

(vi) that the leave entitlement be as specified in paragraph 21 of this report.



- (c) that all other terms and conditions of service for the Chief Officers continue to apply with the exception of paragraphs 22, 31, 32 and 43 to 54 (inclusive) of the JNC Scheme of Conditions of Service for Chief Officers;
  - (d) that the HAY job evaluation scheme be used in future for the assessment of any Chief Officer posts and that any assessments carried out by the Chief Personnel Officer should be independently verified by LACSAB;
  - (e) that the arrangements for handling reviews, target-setting and assessment be as proposed in paragraphs 6, 10, 11, 12 and 16 including the delegation of authority to officers as indicated in those paragraphs;
  - (f) that the arrangements for the cash-limiting of the PRP scheme set out in paragraph 14 be approved;
  - (g) that the Council subscribe to the HAY database and cost of living index for commercial and industrial sector pay in London as a basis for calculating annual adjustments to the new pay bands;
  - (h) that all existing Chief Officers be invited to enter into new contracts based on the proposals in this report, within one month from the date of approval of these proposals;
  - (i) that all future appointments to Chief Officer posts be made on the basis of the terms and conditions of service set out in this report; and
  - (j) that the first 6 months of operation and the assessment procedure be reviewed and a full reappraisal of the scheme be carried out in 3 years time, unless an earlier review becomes necessary, as proposed in paragraph 26; and
- (2) to agree that a Performance Review Sub-Committee consisting of 4 Members (3 Majority Party and 1 Minority Party) be appointed to deal with the matters referred to in paragraph 16 of this report and that the following Members be appointed to serve on the Sub-Committee:-

Councillor Sir Paul Beresford (Chairman);

Councillors Heaster and Mrs. C. Thompson and one Member to be nominated by the Leader of the Opposition.

G.K. JONES  
Chief Executive and  
Director of Administration

Town Hall  
Wandsworth High Street  
London SW18 2PU

16th November 1990



APPENDIX I

PROPOSED CHIEF OFFICERS' PAY BANDS (AS AT JULY 1990)

<u>HAY BAND</u>	<u>85%</u>	<u>100%</u>	<u>115%</u>
	£ (rounded to the nearest £10)	£	£ (rounded to the nearest £10)
1	34,830	40,980	47,130
2	42,470	49,960	57,450
3 Directors	56,890	66,930	76,970
4 Deputy Chief Executive *	64,540	75,930	87,320
5 Deputy Chief Executive *	76,900	90,470	104,040

These bands are inclusive of London Weighting, travel allowance\*\* and subsistence within the Borough.

\* These postholders and the Director of Education would not reach the 85% level on assimilation into the scheme.

\*\* Except 5 cases where leased cars are provided under the Council's Recruitment and Retention policy.



NOT FOR PUBLICATION

by virtue of Paragraph 9

of Part I of Schedule 12A

to the Local Government Act 1972

Appendix II to

Paper No. 7175

WANDSWORTH BOROUGH COUNCIL

POLICY AND FINANCE COMMITTEE - 20TH NOVEMBER 1990

	Hay point	July 90 cash sal.	assimilation point	Max.salary achievable	years req. ave.bonus
DOACE	2028	69321	77%	104036	20
DOACE	1628	61884	82%	87317	16
DOE	range	55647	83%	76975	15
DSS	1200-	56856	85%	76975	14
DTS	1450	56856	85%	76975	14
DLAS	to be	56856	85%	76975	14
DOH	reviewed	56856	85%	76975	14
DDOE	994	44805	90%	57449	11
DDOF	994	47811	96%	57449	8
DOABS	994	47811	96%	57449	8
DOABV	994	43803	88%	57449	12
DSSCAR	994	47811	96%	57449	8
DTSBE	994	47811	96%	57449	8
DDOH	964	47811	96%	57449	8
DOAIT	954	44805	90%	57449	11
DTSBA	954	43803	88%	57449	12
DTSBP	954	46809	94%	57449	9
DOACPO	920	47811	96%	57449	8
DOECI	920	44805	90%	57449	11
DOAES	904	46809	94%	57449	9
DOEFE	864	41340	101%	47125	6
DDLAS	839	45807	108% *	48776	3
DOHMAN	839	42258	103%	47125	5
DOHREP	839	44094	108%	47125	3
DOFAD	830	43176	105%	47125	4
DTSDBP	830	41340	101%	47125	6
DLASLIB	805	44094	108%	47125	3
DOACOM	805	44094	108%	47125	3
DOADBS	805	41340	101%	47125	6
DOADBV	805	42258	103%	47125	5
DOAHS	805	39540	96%	47125	8
DOEPL	805	41340	101%	47125	6
DOFAD	805	43176	105%	47125	4
DSSADM	805	44094	108%	47125	3
DTSDBE	805	40485	99%	47125	7

\* Held at 108% to allow headroom; true value 113%



DOFED	789	41340	101%	47125	6
DOAAD	775	44094	108%	47125	3
DOAAD	775	44094	108%	47125	3
DOADCPO	775	42258	103%	47125	5
DOESP	775	41340	101%	47125	6
DLASAM	766	41340	101%	47125	6
DTSABE	766	38706	94%	47125	9
DLASLEIS	732	38706	94%	47125	9
DOADES	732	41340	101%	47125	6
DOAPR	732	40374	99%	47125	7
DOAPU	725	37872	92%	47125	10
DTSABP	705	37038	90%	47125	11
total		2143719		2597103	
increase				453384	

The following posts are subject to the Hay Scheme evaluation/  
re-evaluation.

DTSCBCO  
DTSABE  
DTSHSS  
DTSDBA

DSSADCF  
DSSADQA

DOEHPS



UPPER BASIC SALARIES FOR CHIEF EXECUTIVES AND CHIEF OFFICERS  
OF LONDON BOROUGHs

<u>Borough</u>	<u>Chief Executive</u> £	<u>Directors</u> £	<u>Other*</u> £	<u>Leased Car</u>	<u>PRP</u>
City of London	100,000	56,000 +			
1	77,000	55,000 +		X	X
2	77,000	55,000	41,000-52,000	Under consideration	
3	71,000	55,000 50,000	36,500-48,500	X	X
4	70,000	-	-		
5	70,000	-	-	X	X
6	70,000	60,000 50,000	38,500-46,000	X	X
7	68,000	48,000	45,000	X	X
8	66,000	50,000	36,000-	X	X
9	66,000	50,000	31,000-40,000 (under review)	X	X
10	66,000	50,000		X	X
11	66,000	50,000	31,000-35,000		
12	66,000	49,000	37,500-45,000		
13	66,000	50,000	33,000-50,000		
14**	66,000	50,000	37,500-45,500		
15	72,000 (incl. PRP)	50,000 44,000	-	X	X

\* range of basic salaries.

\*\* Wandsworth.

X Scheme currently in operation.