

MEETING	THE COUNCIL
DATE	22 October 2009
TITLE	Savings Strategy – Restructuring
PURPOSE	To approve a pay policy for senior management as a consequence of the restructuring savings effected in April.
RECOMMENDATION	To approve a pay policy for senior management
AUTHOR	Chief Executive
PORTFOLIO LEADER	Leader of the Council, Councillor Dyfed Edwards Senior Portfolio Leader for Resources, Councillor John R Jones

1.0 **BACKGROUND**

1. When the full Council approved the recent restructuring as part of this year's savings strategy, it also commissioned an independent review of senior management salaries. This was because the reduced capacity which generated the savings resulted in the remaining senior managers shouldering the redistributed responsibilities.

1. This approach is consistent with the way the Council deals with restructuring at lower levels in the organisation. It recognises that some extra costs have to be incurred as part of a package that generates net savings.

2. **THE SAVINGS**

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2. In addition to the £785,000 annual savings already reported, the corporate restructuring has also made it easier to create opportunities for further savings. Already a further £50,000 per annum will be saved as a result of reorganising corporate administrative support. The restructuring has also facilitated the potential for further savings of up to £280,000 which will be considered as part of the savings quantum for the next 3 years.

2. In total therefore I expect that overall savings of over £1million per annum will eventually be associated with the restructuring together with the possibility of even further savings beyond the medium term.

2. The alternative to making these savings would have been a reduction in service outcomes in frontline services.

3. **THE NEED FOR CHANGE**

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3. When I presented my restructuring proposals to the Council, I forewarned
1 members that realising the savings was dependent upon recognising the pay consequential of extra responsibilities for some senior managers. I also advised members that this offsetting cost was unlikely to be significant in the context of the overall savings package.

3. If the Council does not address this issue there is a real possibility that
2 contractual problems could arise as some individuals may feel that the extra responsibilities are equivalent to a material change in their employment circumstances. Senior managers have been accommodating and reasonable in taking up the new responsibilities before salary issues were addressed. They have acted in good faith, on the understanding that the employer would treat them fairly.

3. Now that the posts have been evaluated independently and job evaluation
3 scores established, the retention of present pay arrangements would give rise to a position whereby female staff at this level were being paid less than males for jobs of equal value. This is clearly not a sustainable position for the Council and given that the Council has addressed the equal pay issue for all other staff, it must also be addressed at the senior management level.

3. Gwynedd Council has the leanest senior management resource in North Wales
4 whether measured, in terms of absolute numbers, total cost or cost per head of population. Should the proposals in this report be accepted, Gwynedd will still provide the least cost senior management in North Wales and will be better than the average for Welsh Councils.

4. **THE INDEPENDENT REPORT**

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4. The Hay Group were commissioned to do the work (report attached) using the
1 most extensively used job evaluation methodology in the world. The elected members involved in my meetings with the Hay Group as the work developed were as follows:-

- The Council Leader
- The Senior Portfolio Leader for Resources
- The Portfolio Leader for Human Resources

4. The original intention when this report was commissioned was to simply
2 recognise extra responsibilities within the existing pay structure. However, the discussions with the Hay Group highlighted the deficiencies of not having a proper pay policy for senior management. In effect evaluating the jobs without then developing a pay policy is a job half done. As related in the Hay Group report:-

“Organisations which use a sticking plaster approach, that is to say they make quick fixes rather than address the fundamentals of pay and reward, inevitably face a number of issues sooner or later. Short term approaches tend to result in misalignment of pay levels and further issues before too long”.

4. It is up to the Council to decide the pay policy in relation to the market. My
3 advice is that the Council does not have to be a top payer in relation to the market (e.g. to top quartile which means only 25% of organisations pay more).

This is because the Hay Group database will include salaries in organisations in urban areas where the market is more fluid and higher pay has to be offered to retain and recruit the best candidates. Whilst it is true that some North Wales authorities pay above the median for some posts – this practice is not very extensive. I think the eventual aim should be to pay at around the median of the market – especially given that we have a very lean senior management structure. However, I recognise that moving to this pay policy for all posts with immediate effect could be difficult given today’s economic climate.

5. **RECOMMENDATIONS**

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5. My recommendation therefore is to recognise the extra responsibilities for some
1 postholders and at the same time take the first steps towards establishing a pay policy for all senior managers. My recommendation therefore revolves around option 2, example 2 in the report. A mixture of some posts being paid around the median and some posts being paid around the lower quartile.

5. My specific recommendations are as follows:-

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- (A) That the nine heads of service in job size level 4 are paid on the current PG3 scale which has a scale maximum of £65,169. Therefore 3 heads of service will receive no increase, 3 will receive an increase of £3,429 and 3 will receive an increase of £6,858. These increases coincide with the posts that received increased responsibilities.
- (B) That the heads of service on job size level 2 are paid on a new pay scale with a scale maximum of £72,200 (i.e. the lower quartile). This will entail an increase of £3,602 for the Head of Social Services and £7,031 for the Head of Education. I recognise that this still leaves the Head of Education being paid some 20% below the highest paid headmaster but even going straight to the median will not correct this anomaly.
- (C) Again for the Corporate Directors on job size level 2, I recommend paying around the lower quartile for the time being. Given that their pay is only slightly below the lower quartile at present, I do not think there is a strong need for a marginal pay increase now and the situation can be revisited at a future pay assessment.

I therefore recommend no pay increase for the time being.

(D) Regarding the Head of Consultancy, I recommend that the Council retains the pay at the current level in recognition of the considerable extra burden of seeking a secure future for the whole of the service either via a joint venture with the private sector or wholesale collaboration with other authorities.

5. My recommendations are summarised as follows:-

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Job Size Level	Role	Current Salary	Proposed Salary	Salary Cost to Maximum
2	Corporate Director	83,121	83,121	0
3	Head of Social Services Head of Education	68,598 65,169	72,200 72,200	3,602 7,031
4	Head of Highways and Municipal Head of Finance Head of Customer Care Head of Regulatory Head of Economy and Community Head of Provider and Leisure Head of Human Resources Head of Strategic and Improvement Head of Democracy and Legal	65,169 65,169 58,311 58,311 58,311 61,740 61,740 61,740 65,169	65,169 65,169 65,169 65,169 65,169 65,169 65,169 65,169 65,169	0 0 6,858 6,858 6,858 3,429 3,429 3,429 0
5	Head of Gwynedd Consultancy	58,311	58,311	0

5. I further recommend:

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- That those postholders receiving an increase are assimilated at the maximum of the new scale – as they are already on the maximum of the old scales and this would be consistent with the way staff were treated in the recent pay review for all other staff.
- That the increases are implemented with effect from 1 April 2009 to coincide with the implementation of the new structure.
- That the total cost of the salary increases at £41,494 plus the associated salary oncosts be financed from the authority's contingency budget.
- That the Council conducts periodic pay reviews to ensure the currency of its pay policy for senior managers.