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Darlington Borough Council

Chief Officer Job Evaluation and
Salary Review Report

HayGroup

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Executive Summary

- Darlington Borough Council has commissioned Hay Group to undertake a Job Evaluation and Remuneration review of Chief Officer roles within the new structure.
- The roles in the new structure have been sized into five categories: Chief Executive, Director, and three levels of other Chief Officers at Assistant Director level.
- A benchmarking exercise against the Public Sector and Not For Profit market, reveals that the Council currently aligns broadly against the Lower Quartile of the market, with larger Chief Officer roles positioned less competitively against the market.
- We have made a number of recommendations in order to align the roles to the existing pay and grading structure:
  - Given the economic climate, and mindful of public perception, we suggest maintaining elements of the current pay structure (existing levels for the Chief Executive, Director 2 grade and Grades AD1, AD2 and AD3 for Chief Officers)
  - Align roles in the new structure based on the outcomes of the Job Evaluation exercise
  - Keep pay policy under regular review to ensure that it recognises performance through the incremental pay approach and that the levels of pay are sufficient to attract and retain high quality incumbents.

1.   Introduction

Darlington Borough Council has commissioned Hay Group to undertake a review of fifteen roles within the Chief Officer population.

Like many Local Authorities, you face significant cost pressures and an unparalleled period of change and transformation. As part of organisation-wide restructuring you have reduced your senior management capacity by around 30%. Chief Officers have reduced in number and responsibilities redistributed, this review provides an independent assessment of the roles in order to support the development of pay policy.

We have evaluated (or 'sized') the roles and provided pay data to assist the Council in creating a Chief Officer pay structure which is affordable, robust, consistent, fair and effective, supporting the Council in recruiting, retaining and motivating staff to deliver the Council's ambitious aims and meeting considerable challenges.

There are 15 Chief Officer roles to be evaluated and benchmarked against the market, which form the new structure:

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Table 1 – The new structure: roles included in this review:

Category / Group	Roles in the new structure
Chief Officer Executive Group	• Chief Executive • Director of Place • Director of Resources • Director of People
Chief Officer Group+	• AD – Community Services • AD – Policy and Regeneration • AD – Building Services • AD – Highways, Design and Projects • AD – Resources • AD – Finance • AD –Transformation • AD – Adult Social Care and Housing • AD – Children, Families and Learning • AD – Development and Commissioning
Other roles included in the review*	• Head of Adult Social Care • Head of Strategic Commissioning and Partnership

*These roles are currently remunerated using Chief Officer increments
+ The Assistant Director Human Resources is not included in the review given the agreement for a shared post with Hartlepool Council; The role leading Xentralle is also excluded from the review as a shared post.

The organisation has (and is) undergoing significant restructuring, service reviews and change – and is exploring a range of commissioning and delivery models. There is a move towards even greater cross service collaboration, partnerships, public involvement and different ways of working. This will require a change in culture and outcome focused agenda, where Chief Officers are accountable both individually and collectively. Chief Officers are leading portfolios, reviews, projects and services of greater breadth and complexity than indicated by the previous structure, and are challenged to find savings and new ways of working in a fast changing environment.

Our Approach

In order to undertake this review, time has been spent:
- Discussing and scoping the program of work with the Assistant Director of Human Resources
- Reviewing Council information pertaining to the new structure
- Conducting interviews with Directors and the Chief Executive to understand the Council context

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- Reviewing job description questionnaires, organisational charts and person specifications
- Reviewing information on current salary levels and existing pay policy arrangements

This approach has enabled a comprehensive job evaluation process to be undertaken and a view on the size and relativities between roles. Comparison has then been made to the relevant market for purposes of salary comparisons.

2. Evaluation Summary

2.1 Hay Group Job Evaluation Method

Our evaluation methodology consists of three key parts:

- Know-How : the sum of all the knowledge, skills and experience required to deliver the role
- Problem Solving : the creative thinking, environment and complexity required to address the problems likely to be encountered
- Accountability : the level of autonomy and answerability for actions and the nature and impact these are intended to have on the organisation

The three factors and their elements are described in detail in the Appendix.

2.2 Quality Assurance

Hay Group has a substantial track record and experience in working with Local Authorities, including job evaluation, organisational design and reward projects. All Job Evaluation outcomes are quality assured via our internal expertise which includes checks and benchmark comparators to ensure transparency, equity and robustness.

2.3 Know-How Score

The overall 'know-how' score (the sum of Technical Know How, Management Breath and HR Skill) is typically seen as the 'driver' or 'powerhouse' for the subsequent evaluation elements. This is because *"we think with what we know"* and, in order to solve problems and be accountable, we need an appropriate level of know how. Know-how scores are also used to consider the likely relativities and perceived differences between roles. There can be a pattern of 'step differences' between know how scores within teams and in line management structures. The step difference principle is also used as an initial quality check when undertaking line managed evaluations.

Table 2: Summary of the Know-How Levels

Level	Roles	Know-How Score
Chief Executive	Chief Executive	800
No roles at this evaluation level		*700*
Directors	Director of Place Director of People Services Director of Resources	608
Chief Officers	Assistant Director - Community Services Assistant Director - Housing & Adult Social Care Assistant Director - Children's Families & Learning Assistant Director - Resources Assistant Director - Development & Commissioning	528
	Assistant Director - Highways, Design and Projects Assistant Director - Finance Assistant Director - Policy and Regeneration	460
	Assistant Director - Building Services # Assistant Director - Transformation Head of Adult Social Care Head of Strategic Commissioning & Partnerships	400

 # Evaluation undertaken using existing JD, budgetary information and organisation structure

The Chief Executive is two 'Know How steps' above the Directors, which reflects a traditional and common 'two step' gap between one role and its direct reports. Directors are positioned at the 608KH level, the level above (700KH) is achievable for such roles, however the size and scale of the Authority prevents these Director roles from achieving the larger score.

The Chief Officer population is distributed across three Know How levels (400. 460 and 528 KH), with the majority at the top two levels (460 and 528 KH). These are at the upper end of scoring for roles of this type and reflect the breadth of the portfolios managed (there is considerable diversity and complexity particularly at the 528KH level). Previously Chief Officer roles would have been more numerous, and spread across the 400 and 460 levels. The new structure houses roles of greater breadth and complexity and hence only a few roles are sized at the 400KH level.

In addition to the Assistant Directors for Transformation and for Building Services, the lowest level (400KH) is populated by the Head of Adult Social Care and the Head of Strategic Commissioning. While these roles are 'fourth tier' and not full Chief Officers, these roles lead Adult Social Care in its entirety, and the development of Commissioning Strategy respectively. They carry considerable accountability and requirements for planning, organising and integrating to make significant impact.

3.   Recommended grades

The tables below show the difference in roles and levels found in the old and the new structures at Darlington Council.

Tables 3 –Old Structure

CO Grades	Old Structure	No of Posts
Chief Executive	• Chief Executive	1
Director 2	• Director of Corporate Services • Director of Children's Services • Director of Community Services	3
AD 1	• Assistant Chief Executive Regeneration • Borough Solicitor • AD – Adult Social Care and Housing • AD – Children's Services • AD – Environmental Services • Asst Chief Executive – Policy & Performance • Head of HRM	7
AD 2	• AD – Public Protection • AD – Technical Services • AD – Regeneration, Planning and Transport • AD Partnership	4
AD 3	• AD – Highways and Engineering • AD - Corporate Services • AD – Performance, Planning & Resources • AD – Finance • AD – Construction & Maintenance • AD – Finance • Head of Strategic Commissioning and Partnerships • Head of Adult Social Care	8
	Total Number of Posts	**23**

Tables 4 – New Structure

CO Grades	Job Evaluation Level*	New Structure	Total Number of Posts
Chief Executive	800KH	• Chief Executive	1
Director 2	608KH	• Director of Resources • Director of People • Director of Place	3
AD 1	528KH	• AD – Community Services • AD – Housing and ASC • AD – Children's Families & Learning • AD - Resources • AD - Development & Commissioning	5
AD 2	460KH	• AD Policy and Regeneration • AD Highways, Design and Projects • AD Finance	3
AD 3	400KH	• AD Building Services • AD Transformation	2
		• Head of Adult Social Care • Head of Strategic Commissioning and Partnerships	2
		Total Number of Posts	**16**

* Job Evaluation Levels are described in Broad Know How Levels, and the typical Hay Points based on the full evaluation for these levels.

Recommendation

We would recommend mapping the newly evaluated roles in the new structure against your existing salary bands. This is recommended for several reasons:

- The existing salary bands are distinguished at three Chief Officer levels, a Director level and a Chief Executive level which reflect the four levels of work we have found as part of the review.
- The Council, while benchmarking these salaries against the market (see section 4 below) may not wish to develop new or increased pay levels for senior managers given the economic and political climate.
- The existing grades (CX, Director, AD1, AD2, AD3) allow a fair reflection of the relativities found in the evaluation exercise.
- The Council has a clear market supplement policy which would allow for consideration of higher salaries if the need arose and where evidence allowed.

4. Pay Analysis and Benchmarking

Table 5 - The Council's current grading and salary structure for the Chief Executive, Directors and Chief Officers is shown below.

Darlington Grades	Pts	Value
Chief Executive	1	156,720
Director 2 Pts 5-10	5	97,920
	6	101,757
	7	102,369
	8	106,824
	9	111,273
	10	115,725
Director 1 Pts 1-6 *	1	83,460
	2	88,038
	3	92,607
	4	97,185
	5	97,920
	6	101,757
Assistant Director Grade 1 Pts 9-16	9	70,000
	10	72,000
	11	74,000
	12	76,000
	13	78,000
	14	80,000
	15	82,000
	16	84,000
Assistant Director Grade 2 Pts 6-11	6	64,000
	7	66,000
	8	68,000
	9	70,000
	10	72,000
	11	74,000
Assistant Director Grade 3 Pts 1-7	1	54,000
	2	56,000
	3	58,000
	4	60,000
	5	62,000
	6	64,000
	7	66,000

* This grade is currently not used

Hay Group Salary Benchmarking

The pay analysis has been undertaken using up to date extracts from the Hay Group Remuneration Database. The market pay data is drawn from two databases:

- UK National Public Sector (including not for profit organisations) July 2011. There are 149 organisations in the database (40 Local Authorities)
- UK National Industrial and Service (which includes all data excluding the financial sector) July 2011. There are 603 organisations in this database.

The pay spread at this level is annualised cash payment of Basic Salary. It shows:

- Upper Quartile: 25% of the organisations in the survey pay more, and 75% pay less.
- Market Median: 50% of the organisations pay more, and 50% pay less.
- Lower Quartile: 75% of the organisations pay more, and 25% pay less.

Table 6 – Comparison of Darlington Grades currently in use against the market Proposed new levels and salaries for the Chief Executive, Directors and Chief Officers.

Grade	Darlington Grades	Pts	Value	Know How Level	Public Sector (excl London)				Industrial & Service			
					U Quartile	Median	L Quartile	L Decile	U Quartile	Median	L Quartile	L Decile
CHEXEC	Chief Executive	1	156,720	800	174,221	160,000	133,987	126,852	240,000	191,375	163,000	140,000
DIR2	Director 2 Pts 5-10	5	97,920									
		6	101,757									
		7	102,369	608	126,663	115,002	105,000	98,183	152,457	130,000	112,775	99,916
		8	106,824									
		9	111,273									
		10	115,725									
AD1	Assistant Director Grade 1 Pts 9-16	9	70,000									
		10	72,000									
		11	74,000									
		12	76,000	528	107,230	97,152	88,612	81,846	131,382	111,386	96,937	86,018
		13	78,000									
		14	80,000									
		15	82,000									
		16	84,000									
AD2	Assistant Director Grade 2 Pts 6-11	6	64,000									
		7	66,000									
		8	68,000	460	90,092	82,790	74,910	65,036	109,461	92,644	81,000	71,402
		9	70,000									
		10	72,000									
		11	74,000									
AD3	Assistant Director Grade 3 Pts 1-7	1	54,000									
		2	56,000									
		3	58,000									
		4	60,000	400	74,304	67,558	62,414	54,999	88,600	76,415	67,085	59,921
		5	62,000									
		6	64,000									
		7	66,000									

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Chart 1 – A graph plotting Darlington Council base salary grade ranges against the UK Public Sector and Not For Profit Sector

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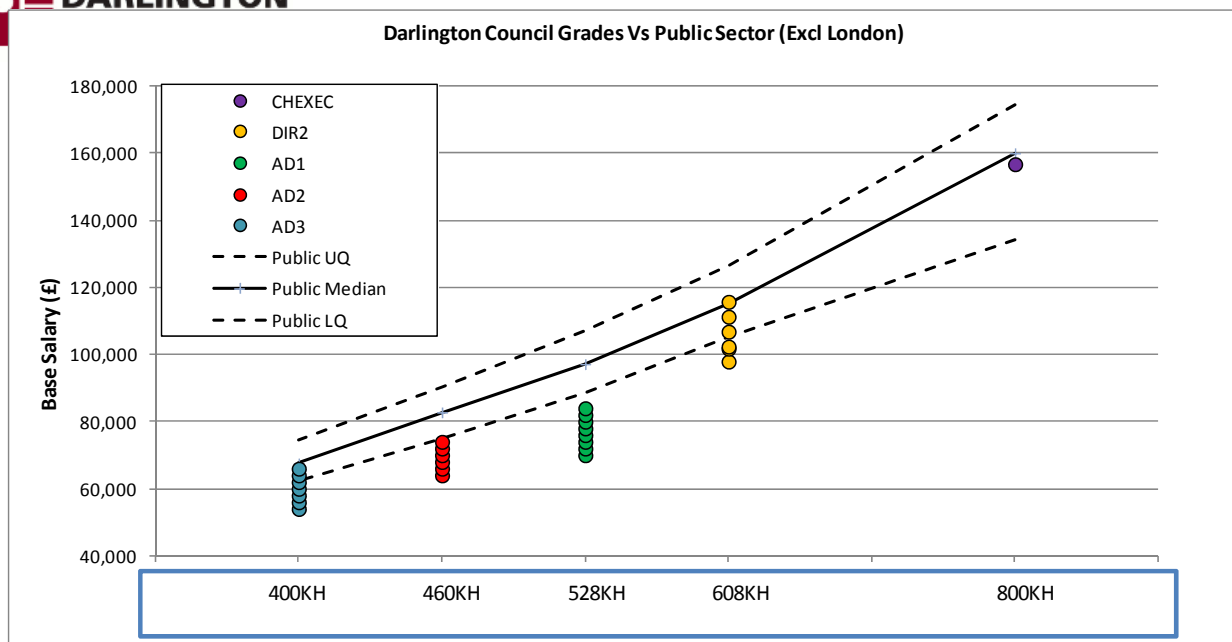**Darlington Council Grades Vs Public Sector (Excl London)**

Table 6 and Chart 1 show the Council is broadly a Lower Quartile base salary payer in the Public Sector. The Council is most competitive at the Chief Executive level (just below median) and is least competitive at the larger Chief Officer level within the Public Sector. Organisations in the North East of England are on average paying 5% less than the Public Sector (excl London) market.

While the Council may be minded to maintain these existing grade ranges for roles in the new structure, it should be conscious that paying uncompetitively against a number of the Chief Officer levels could place future risks around attracting and retaining high calibre incumbents.

Having said that, the Council's pay is comparable to that of similar, smaller authorities in the Tees Valley area. Hartlepool levels are broadly similar, although we have not conducted a review there recently. While salaries at other neighbouring Authorities are higher (such as at Redcar & Cleveland, and South Tyneside, we would expect these roles to be larger given the scale).

5.   Recommendations

Hay Group understands that the output of this exercise is to be a report for the HR Committee. The findings will be used to inform present and future decision making on reward more broadly, and salary levels in particular.

The job evaluation exercise has been undertaken on the new Council structure. The evaluations represent a 'fresh look' at a structure which resulted

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in savings of c£767k annually. As such, the Council should consider the evaluations as an assessment of sizes of new jobs, rather than a review of (or change in pay for) individuals.

We have determined a 'rank order' of roles in job size terms based on Hay Points, and aligned them to your existing grade ranges. This provides a fair, robust and clear understanding of the relativities between roles – and where they should be positioned in the grade structure. The approach also provides the basis of a defence against a claim for equal pay for work of equal value.

Grades

We propose the use of existing grade ranges (removing Director 1, which is not used at present) as this allows a smooth transition to a recognisable and agreed set of increments. It allows us to map new relativities between roles to grade ranges which reflect four different broad sizes of role (Chief Executive, Director, AD1, AD2, AD3).

We would recommend moving to the following pay structure, with roles in the new structure mapped against this in the following way.

Table 7 – Proposed new grade structure

Chief Officer Grades	Job Evaluation Level	New Structure	Incremental Range
Chief Executive	800KH	• Chief Executive	156,720
Director 2	608KH	• Director of Resources • Director of People • Director of Place	97,920 101,757 102,369 106,824 111,273 115,725
AD 1	528KH	• AD – Community Services • AD – Housing and ASC • AD – Children's Families & Learning • AD - Resources • AD - Development & Commissioning	70,000 72,000 74,000 76,000 78,000 80,000 82,000 84,000
AD 2	460KH	• AD Policy and Regeneration • AD Highways, Design and Projects • AD Finance	64,000 66,000 68,000 70,000 72,000 74,000
AD 3	400KH	• AD Building Services • AD Transformation • *Head of Adult Social Care* • *Head of Strategic Commissioning and Partnerships*	54,000 56,000 58,000 60,000 62,000 64,000 66,000

*Evaluated at Chief Officer level

It is the Council's policy that:

- The new grading structure will be backdated to January 2011
- Incremental progression is subject to performance, increment applied initially 6 months following new appointment, annually thereafter.
- They should protect incumbents who are adversely affected by the review on its existing pay protection policy (using a three year, sliding scale).
- Roles due for a rise in salary having taken on a new role should be mapped to a new increment in the higher grade in line with Council policy.
- An appeals process should be agreed for individuals dissatisfied with the outcome of this review.

We would not recommend reducing these ranges further. This could place the Council at risk in recruiting, attracting and retaining key role holders. For some Councils reducing senior salaries has been Politically expedient, but it has come with a cost to employee engagement, sending a less than positive message to the managers who are leading considerable change. For Darlington, given pay levels are not high against the Public Sector market, we would not recommend reducing salaries further.

While keeping the existing grade ranges allows the Council to maintain known costs and avoid the need to develop and agree new pay ranges at a time of economic difficulty, we would recommend keeping the pay policy under review particularly as the Council is undergoing considerable change and considering a range of options for the future (e.g. shared services, collaboration, commissioning etc).

Areas to consider further

Senior pay in local government has been in the media and political spotlight for some time and the level of interest does not appear to be diminishing. Guidance on the issue has centred around the need to be clear about the *level* of pay, the *way* in which these decisions are made, and the level of disclosure and transparency you should offer.

Using the Hay Group database means that we are able to provide 'like for like' comparisons against the external market, in terms of jobs of similar size and complexity. The pay comparisons give an indication of pay that might be expected by incumbents in roles of this size in organisations of this type, although it is important to remember that salary levels at these levels can be determined on a range of factors beyond just market levels.

While we have recommended mapping your role relativities to your existing pay ranges, our pay analysis has shown that against the Public Sector and Not for Profit sector, you are positioned uncompetetively particularly for roles at the largest Chief Officer grade. You should bear this in mind as the Council develops in the longer term, and the risks you might face in attracting new high calibre role holders at certain grades.

In addition, local authorities have to respond to two new initiatives:

- The Localism Bill, which is expected to become law in the Autumn, imposes new requirements for a pay policy to be approved and published by the council.
- The DCLG's latest guidelines on data transparency call for disclosure both of all senior salaries and of the 'pay multiple' – the ratio between the highest paid salary and the median salary of the whole of the authority's workforce.

While meeting these elements show compliance, there is an opportunity for Councils to proactively shape a debate on pay and be clear on the policy for reward and how it supports what the organisation is trying to achieve (i.e. the main strategic goals).

In considering a way forward the following elements may be helpful.
- The market pay data and the competitiveness of the recruitment market.
- The relativity of the salary levels – one to another – but also to other Managers.
- How competitive does Darlington Council wish to be in relation to the market?
- How much difficulty does the Council have in recruiting and retaining senior leaders?
- How much can the Authority afford to pay?
- How is the level of remuneration offered by the Authority perceived externally, in terms of reputation?
- Should there be a clearer, "future proofed" pay structure in place (e.g. an incremental scale) in order to ensure a practical approach for the years to come?
- How should the focus on performance management in the authority be linked to an incremental scale? This could help to incentivise and reward senior staff to deliver the key priorities for the organisation, and could use the current performance appraisal framework.

You should therefore seek to be clear how pay, reward and performance management can help to achieve and exceed desired Council outcomes and meet future needs.

Summary of recommendations

In the short term, based on the outcome of the evaluation process, we would recommend using the existing grade structure outlined in Table 7.

The Council should consider agreeing its approach to reward more widely for the short and long term, particularly: levels of pay, the basis for pay progression, the link to performance, transparency and affordability.

We submit this report for your consideration.

6.   Overview of the Hay Group Methodology

The Hay Group was founded 50 years ago in the United States and has grown to become the largest dedicated Human Resources consultancy in the world. In the UK Hay Group has 6 offices and over 180 consultants. The Hay Group has three key areas of operation:-

- Reward
- Organisational Effectiveness
- Competencies and People Development (McBer)

General

The Hay Group Guide Chart and Profile Method of Job Evaluation is the most widely used in both the UK and the world and has stood the test of time over many years. It can be employed just as effectively in a de-layered, matrix organisation as in a traditional functional, hierarchical organisation. The methodology provides an effective, objective and resilient means of assessing relative job content, and provides a sound and practical basis for building HR processes that support business success.

The Hay Group Guide Chart and Profile Method of Job Evaluation is basically a factor comparison scheme which enables evaluators to use their judgement to compare jobs against jobs and the elements of one job against the elements of another in a disciplined and consistent way. It requires an iterative process of consistent comparison to achieve a rank order.

The method provides a flexible framework within which the organisation can make judgements, but at the same time provides discipline to ensure that these are consistent. Consequently, the Hay Group method of job evaluation has been adopted by thousands of organisations as their primary means of determining job relativities and as the basis for their grading and pay structures.

Introduction to Job Evaluation

Job evaluation is about the relative size of jobs. It establishes the relative importance of jobs to the organisation and the relative difficulty of jobs to the jobholders. It is a process that involves the exercise of judgement in identifying and assessing differences in value between jobs. It is not concerned with people, their performance, or pay - only with the size of jobs in relation to other jobs. The end results of evaluation are a rank order of jobs.

The Hay Group Method of Job Evaluation has been used by a significant number of Public Sector organisations as a means of determining job relativities and as the basis for their grading and pay structures.

The Hay Group Method

The key elements of the Hay Group method are:

- the use of three factors common to all jobs, Know-How, Problem-Solving and Accountability; each factor being sub-divided into elements which have particular definitions for different levels within them.

- a numbering pattern built on the principle of 'step-difference' which uses a geometric progression to describe the relative difference between jobs for each factor.

- the concept of profile, or shape, of jobs as described by the balance (or distribution) of the three factors and used as a test of the soundness and consistency of evaluations.

Evaluation Factors

The three factors and their elements are briefly described below:

a)   Know-How
This is the sum total of every kind of knowledge, skill and experience that is needed in order to perform the job competently, however that experience may have been gained. In other words it is the 'asset' or 'input' necessary to achieve the job's end results. It has three elements:

- The knowledge, skill and experience that is necessary in practical procedures and systems, specialised techniques, and professional and scientific disciplines.

- The requirements to plan ahead, integrate and harmonise different elements involved in managing, supervising or accomplishing individual tasks. Time-scale, complexity, diversity and size are all relevant features.

- The requirement to work with, or through, other people either inside or outside the organisation to accomplish job objectives.

b)   Problem Solving
This factor concerns the thinking aspects of the job and the need to analyse, evaluate, reason and arrive at solutions. It has two elements:

- The guidance given to the job holder in considering the problems faced, as defined by the extent of principles, precedent or procedure.
- The nature and diversity of the problems to be addressed.

c) Accountability

This factor considers the accountability, or "answerability", for action and the consequences of that action. It also examines the area of the organisation upon which the job impacts and the nature of that impact. There are three elements:

- The degree to which the job holder is required to take decisions and the guidance or constraint which is given in order to make decisions, for instance business goals, functional policies or specific procedure.
- The manner in which the job impacts upon the relevant area of the organisation, which could be one of control, or of guidance and advice.
- The size or importance of the part of the organisation upon which the job holder is required to influence or exert control.

Numerical Scale

The Guide Chart numerical scale is used to record the judgements made on each of the common factors, because simple ranking of jobs gives no indication of the distance between them (nor any basis for comparison with other organisations).

The relationship between the elements on the three scales (know-how, problem solving and accountability) and the numbering enables evaluators to explain relative differences between jobs.

Step Difference Principle

The scales on the guide charts use a geometric scoring progression, with each number being 15% larger than the number preceding it. This geometric approach is based on the concept of "perceptible difference", i.e. the notion that the ability of an evaluator or an evaluation panel to perceive a difference between two jobs is proportionate to the size of the jobs being compared. The 15% shift is referred to as a "step", which represents a just perceptible difference; this logic extends through all three guide charts enabling judgement of the size of the gap between jobs as well as confirmation that one is bigger than the other.

Profile

Certain relationships exist between these factors. Different types of job will need different combinations of the three. For example, there will be jobs heavily weighted towards accountability and jobs where the balance between accountability and problem solving is more even, with problem solving perhaps having the edge. These relationships are assessed by means of the job "profile", which assesses the contribution of each factor to the total evaluated score for the job. This is a further unique feature of the Hay Group method. It is an important part of the methodology because:

- It serves as an independent check on the validity and reliability of the judgements about job size
- It describes the nature of the contribution expected from a job by the organisation; whether the job is predominantly problem solving or accountability orientated in emphasis.