

**CITY AND COUNTY OF CARDIFF  
DINAS A SIR CAERDYDD**

**Employment Conditions Committee: 17 October 2005**

**Report of Assistant Chief Executive**

---

**Operational Managers – Remuneration Arrangements**

---

**Background**

1. A report was presented to Employment Conditions Committee in March 2005 on Senior Management Remuneration within Council.

That paper covered in some detail the work carried out by the Hay Group to independently review the senior management structure within the Council through a process of job evaluation to ensure that the existing grading system and structure:

- was fair and equitable;
- was appropriate to meet the changing needs of the Council;
- provided an adequate basis for job matching and external pay comparisons.

2. That paper put forward specific recommendations in relation to the implementation of revised salary points for Chief Officer roles based on Hay Group assessments of relative job sizes and benchmarked against market comparisons for posts of similar size and complexity.

3. In addition to the work carried out on Chief Officer roles, the Hay Group were also asked to consider various issues concerning the pay structure and other arrangements relating to the Council's Operational Management group. In particular, Hay were asked to report on:

- Pay market data relevant to Operational Managers
- Total remuneration comparisons (taking account of the value of benefits)
- The boundary between Principal Officer pay arrangements and the OM structure
- Flexible working practices, such as flexitime/leave
- Linkages between pay and performance

**Issues/Proposals**

4. A copy of the report prepared by the Hay Group is attached as Appendix 1.
5. The main conclusions reached by Hay in relation to remuneration arrangements for Operational Managers are as follows:

## **Pay and Total Remuneration**

6. On the basis of comparisons between OM posts within the Council and jobs of similar size in the Hay Group remuneration database, it would appear that the base salaries which apply to the Cardiff OM posts are market competitive.
7. When the value of other elements of the total remuneration package typically offered within both the Public Sector and for all organisations is taken into account, however, the picture is less clear. Particular issues emerge from that benchmarking in relation to (i) leave and flexible working and (ii) car allowance.

## **Leave and Flexible Working**

8. Holiday entitlement is the main item of significant misalignment. The current OM holiday entitlement of 26 days is behind practice within the public sector. In addition, the current annual leave entitlement for Operational Managers within the Council is different to the annual leave entitlement for other categories of staff. Hay Group have recommended that the Council may wish to increase OM holiday entitlement to match external market practice, and to align this entitlement with other senior PO graded Council staff.
9. In relation to flexible working arrangements, Hay advise that it is extremely rare for formal flexitime arrangements leading to additional leave to be available to roles of the size of OM grades. They have indicated, however, that this should not preclude a flexible approach to hours worked and appropriate use of home working, and have recommended that the Council review options available for the introduction of appropriate flexible working arrangements for the OM group in line with other staff within the Council.

## **Car Allowance**

10. Benchmark data for the Public Sector suggests that car allowance benefit is very rare for posts whose job sizes match OM3 level within the Council, although more frequently provided for posts equivalent to OM2 and OM1 level.
11. Hay Group recommend that an adjustment to the public sector base pay median is taken into account to compensate the above benefit, and that comparisons with benchmark salary data are made on this basis to establish the Council's current position within the market rather than to rely solely on base salary comparison. On this basis, the current car allowance arrangements for Operational Managers will remain unchanged ie casual car allowance only.

## **Boundary with Principal Officer Posts**

12. In December 2003, Employment Conditions Committee resolved that APT&C grade PO5 be re-instated with effect from April 2004 as the highest APT&C grade available within the Council. It is recognised that the reintroduction of PO5 grades and the salary levels of the senior Principal Officer grades within the Council has led to pay overlaps with the OM3 grade.
13. The effects are exacerbated by the different leave entitlements which exist between OMs and other staff, and more significantly by the fact that APT&C grades participate in the Council's flexi time scheme. The net effect of these arrangements is

the significant disincentive for staff – particularly those at more senior PO grades - to apply for and make the move into first level management posts.

14. Hay Group have recommended that the Council consider a phased removal of the OM3 grade, replacing it with the top PO grades or through regrading to OM2 based on job evaluation of the specific posts. It is suggested that where staff currently graded OM3 ( £ 35, 802 ) are subsequently graded at PO5 ( maximum spinal point 46 -£ 35, 586 ) , the Council should freeze the postholders’ OM 3 salary until such time as the maximum of PO5 , via annual pay awards , catches up with the frozen salary. The difference of £216 is likely to be addressed by the April 2006 pay award

### **Investment for Reform/Benefit to service user**

15. The changes proposed to the Operational Manger Remuneration package will ensure that Cardiff posts are market competitive, thus enabling the Council to recruit and retain high calibre staff to deliver quality services.

### **Council Policies Supported**

16. This report supports Council policies that require a skilled and motivated workforce to deliver their aims and objectives.

### **Advice**

17. This report has been prepared in consultation with relevant Corporate Managers and reflects their advice. It contains all the information necessary to allow Members to arrive at a reasonable view, taking into account the following advice.

### **Legal Implications**

18. Proposals to alter contractual terms and conditions can only be achieved by agreement or by offering new contracts of employment following formal and proper notice. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council eg. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council’s fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

### **Financial Implications**

19. The pay structures set out in Appendix 2 to this report reflect current pay levels and can be met from within existing resources. Any financial implications arising from changes to the grades of OM 3 posts and the associated organisational structures will be met by service areas from within existing budgets. There are no direct financial implications associated with changes to the annual leave entitlements, the new arrangements to be managed by service areas within existing resources.

## Human Resource Implications

20. The recommendation in relation to the OM3/PO5 overlap will address a number of issues in this area including the current lack of incentive for internal candidates to apply for OM3 posts. An increase in annual leave will bring Cardiff into line with other similar organisations.
21. The “Way Forward Group” (a group representing all 135 Operational Managers comprising OM reps drawn from all Service Areas) have been pressing for a review of their terms and conditions (particularly leave and flexible working) for some time. It was agreed in 1999/2000 that a review would be carried out but the review itself was delayed. Since the 1999 restructure OM’s have regarded as unfair a situation where the senior staff that they manage enjoy significantly more leave than they do. The Corporate Governance Commission supported the groups view by incorporating R53 in their final Report. The issue has generated significant strength of feeling and the Group are very firmly of the view that the effective date for the re-introduction of leave parity with the PO grades, should be 1 April 2005. In the view of the Group any date for implementation later than this would not appear to recognise the long history of the issue. The Group consider that this would have a beneficial effect on morale and be of no or minimal cost to the Council.
22. In addition to a range of existing flexible working practises, the Council is continuing to explore new ways of working to foster a more flexible approach to work .Any requests for flexible working received by managers must be given appropriate consideration, taking into account benefits to the service user and the member of staff concerned.

## Trade Union Comments

23. No written comments have been received

## RECOMMENDATION(S)

24. It is recommended that, on the basis of the independent Hay evaluation of remuneration arrangements for the Operational Manager group, Employment Conditions Committee:
  - (i) confirm the median salaries set out in Appendix 2 to this report for Operational Managers;
  - (ii) adjust the annual leave entitlement for OMs in line with market practice and to the same levels as for other senior PO graded Council staff with effect from 1 April 2006;
  - (iii) formally dis-establish the OM3 grade with immediate effect and that Corporate Directors with the assistance of Hay be authorised to review all existing OM 3 posts to determine whether they should be grade at OM2 or PO5 with effect from 1 April 2006.
  - (iv) implement salary protection arrangements as outlined in paragraph 14 of this report for all OM3 staff who are subsequently graded at PO5.

- (v) confirm that any request for flexible working arrangements ( excluding the Flexible Working Hours Scheme ) from Operational Managers should be considered by Chief Officers in accordance with the Council's flexible working practices

**JO FARRAR**  
**ASSISTANT CHIEF EXECUTIVE**  
**7 October 2005**

The following appendices are attached:

Appendix 1 - Hay Report – Operational Managers – Remuneration Arrangements

Appendix 2 – Senior Management Grades

# Cardiff County Council

## Operational Managers – Remuneration Arrangements

Prepared by: Mark Thompson

Date: July 2005

Hay Group  
2635 Kings Court  
The Crescent  
Birmingham Business Park  
Birmingham B37 7YE

Tele: +44 (0) 121 770 9080  
Fax +44 (0) 121 770 1570

Reg No: 763575

---

## TABLE OF CONTENTS

Section		Page
I	INTRODUCTION	1
II	GENERAL REWARD PRINCIPLES FOR OPERATIONAL MANAGERS	2
III	MARKET COMPARISONS	3
IV	PAY LEVELS FOR OPERATIONAL MANAGERS	6
V	BOUNDARY WITH PRINCIPAL OFFICER POSTS	7

## INTRODUCTION

You asked the Hay Group to consider various issues concerning the pay structure and other arrangements relating to the Council's Operational Management (OM) group. In particular, you requested comment on the following elements:

- Pay market data relevant to Operational Managers
- Total remuneration comparisons (taking account of the value of benefits)
- The boundary between Principal Officer pay arrangements and the OM structure
- Flexible working practices, such as flexitime/leave
- Linkages between pay and performance.

This brief report covers each of these issues and it is hoped that the information and observations contained here will assist the Council to make the appropriate choices and decisions necessary to gain the commitment of this critical group of employees.



## GENERAL REWARD PRINCIPLES FOR OPERATIONAL MANAGERS

As a general observation, we believe that it is important to provide management grades with a different reward package to that which applies at lower levels. This is partly to reinforce through reward the message that management roles are of a different nature to more operational jobs and partly to mirror more general market practice. For this reason, it is suggested that the following principles should underpin reward policy for the Operational Management Group:

- The total remuneration package should be set to enable OM grades to earn above the median level of the Public Sector. This will ensure that the Council can offer a competitive package for attracting and retaining employees within the public sector and also to make up to some extent the difference between public sector and private sector pay practice evident at management levels.
- In most cases, Operational Managers are working in unique roles and it is important to maintain continuity and cover. It is therefore extremely rare for formal flexitime arrangements leading to additional leave to be available to roles of the size of OM grades and it is not recommended for these posts at Cardiff.
- This does not preclude a flexible approach to hours worked and the use, for example, of home working.
- Personal development and continuous learning are an essential requirement for management roles. The Council should therefore actively invest in this area and for this reason we would recommend that membership subscriptions of professional bodies – where these are relevant – should be paid for by the Council. Although we have no survey data relating to this subject, we rarely encounter organisations of the size of Cardiff County Council that do not pay professional subscriptions.
- An element of reward should be linked to performance/contribution, subject, of course, to mutual confidence in the process used to assess and evaluate work undertaken by Operational Managers.

The exact level and range of pay to be applied to this group will be informed by remuneration market data summarised in Section III.

### III

## MARKET COMPARISONS

Evaluations were carried out on all OM jobs by the Hay Group in 2001. This exercise was based on job analysis interviews with around a third of all staff and on job descriptions for all OM posts. The evaluation results have been reviewed once or twice since then, but not in a systematic way and, doubtless, some individual roles will have changed since they were last evaluated. Nevertheless, we are confident that, on the whole, average job sizes for the OM posts will not have changed substantially. These results are tabulated below:

Grade	Average Hay Job Size
OM1	690
OM2	560
OM3	484

This information provides us with the ability to make comparisons between the OM posts and jobs of a similar size in the Hay Group remuneration database.

On this basis, our information suggests the following.

#### 1. Base Pay – 1 April 2005

Grade	Job Size	Public Sector			All Organisations		
		UQ	M	LQ	UQ	M	LQ
OM3	484	£39,969	£36,550	£33,136	£44,071	£38,941	£34,340
OM2	560	£45,578	£40,944	£37,364	£50,102	£44,161	£39,104
OM1	690	£54,726	£49,700	£44,847	£61,528	£53,833	£47,308

#### Key:

UQ: Upper quartile (75% pay less)

M: Median (50% pay less)

LQ: Lower quartile (25% pay less)

*Data is taken from the Hay pay database and reflects actual salaries paid as at 1 April 2005.*

If these data are taken in isolation, it would appear that the salaries which apply to the Cardiff OM posts are market competitive. However, base salaries on their own are not the main concern of this group. At a meeting with the Operational Managers attended by Jon Gay of the Hay Group in December 2004, primarily to discuss the development of a competency framework and supporting performance management system, the issue of most concern related to remuneration. In particular, OM staff are concerned that:

- Leave entitlement for OM staff is 5 days less than that for Principal Officer (PO) grades;
- There is no entitlement to flexi-time leave, available to PO grades and providing the opportunity for an additional 12 days' annual leave;
- There is no car allowance available, even for essential users;
- The Council does not pay fees relating to membership of professional bodies.

The strength of feeling around these issues strongly suggests that the OM group do not believe that the current level of base pay is sufficient to compensate them for the lack of valuable benefits available either elsewhere in the Council or within the market more generally.

## 2. Total Remuneration

The remuneration package is made up of a number of items of value. These, combined, typically add 30% or more to base salary alone. For jobs of equivalent size to the OM group, the value of other elements of the package are tabulated below for both the Public Sector and for 'all organisations'. These data are based on median market positions only. The total remuneration figure is calculated by taking account of the value of pension, holiday and other benefits.

	Public Sector			All Organisations		
	OM1	OM2	OM3	OM1	OM2	OM3
Base Pay	£49,700	£40,944	£36,550	£53,833	£44,161	£38,941
Variable on Target Bonus (% of Base)	N/A	N/A	N/A	13%	12%	9%
Car Benefit Value	£3,203	£2,434	N/A	£5,887	£5,235	£4,873
Median Holiday Entitlement	29	29	29	25	25	25
Total Remuneration	£70,077	£57,731	£51,901	£72,675	£60,942	£49,844
Value of Benefits	£20,377	£16,787	£15,351	£18,842	£16,781	£10,903
Value of Benefits as % of Base	41%	41%	42%	35%	38%	28%

---

Note that taking total remuneration perspective on the data improves the relative position of the public sector to the market as a whole. This is principally due to the impact of the pension benefit the value of which has declined in private sector organisations over recent years as a consequence of the general trend towards to defined contribution schemes.

This information suggests that the OM holiday entitlement of 25 days is in line with typical practice elsewhere, but behind practice within the public sector. The OM view that there should be a car allowance for essential users is only partially supported by the data for the Public Sector, which suggests that this benefit is very rare at OM3 level, although more frequently provided at OM2 and OM1.

## IV

### PAY LEVELS FOR OPERATIONAL MANAGERS

Based on this market information, we would suggest that OM salaries are based around a market based pay rate, although taking account of the total remuneration typically paid in the public sector. This can be established by taking the median public sector rate and adjusting it for the value of benefits. The result is a package that strikes a balance between the need to pay a competitive rate with the need to control pay costs.

Current pay practice at Cardiff is already close to this target. Holiday entitlement is, however, the main item of significant misalignment. We would suggest that the Council may wish to increase OM holiday entitlement to match external market practice. The alternative is to apply a an adjustment of 2% on top of the base pay market median, although this will entail a direct cost to the paybill and may be difficult to justify to the Council Tax payer.

A further adjustment should be applied to take account of the car allowance available, typically, to roles at OM2 and above. This would result in the following adjustments to the public sector base pay median (assuming holiday entitlements are increased)

- OM3 No change (assuming holiday entitlement is increased)
- OM2 An additional 6%
- OM1 An additional 6.5%

This would suggest salaries for the Operational Managers should be based on the following market reference points:

OM3	£36,550
OM2	£43,400
OM1	£52,931

As we have noted in Section I, we do not believe that the market alone should determine pay for management grades. It would be more appropriate for the market points identified here to form the mid-point of a pay range. This would enable the Council to pay above the market median for certain individuals, either because to reward higher levels of contribution and/or to provide some flexibility to respond to particular market pressures that affect some functional specialisms.

---

## V

### BOUNDARY WITH PRINCIPAL OFFICER POSTS

The reintroduction at Cardiff of senior PO grades has led to pay overlaps with OM3. This is exacerbated by the different terms and conditions relating to holidays and flexitime. Clearly, the Council needs to offer some meaningful incentive to staff making the move into management posts. There are two possible approaches to this: to abolish the grade of OM3, replacing it with the top PO grade or to enhance the pay at OM3 to provide an appropriate increase.

In our view, the abolition of the OM3 grade makes most sense. Some current OM3s would therefore move to the PO terms, others would move to OM2. The proposed basis of this decision would be through job evaluation.