

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 30th June 2015
Report of: Phil Badley
Subject/Title: Notice of Motion - Incentive Payments
Portfolio Holder: Cllr Paul Findlow, Performance

1.0 Report Summary

- 1.1 The purpose of this report is to consider and respond to the following motion which had been moved by Councillor B Murphy and seconded by Councillor A Moran at the Council meeting on 26th February 2015 and referred to Cabinet for consideration:

"This Council recognises that the successful delivery of its services depends on the team effort of every single employee and therefore calls for the immediate suspension of any performance related pay or bonus scheme that is not available to every single employee."

2.0 Recommendations

- 2.1 That for the reasons set out in this report, Cabinet reject the motion referred to in paragraph 1.2.above.

3.0 Reasons for Recommendations

- 3.1 The Pay Policy was designed to ensure that the rewards for the senior post holders are linked to the achievement of the 3-Year Council Plan, and to support the successful implementation of the Operating Model.
- 3.2 The Council has strong values which underpin its commitment to put residents first which can only be achieved through the cooperation of a highly valued and committed workforce. Teamwork is at the heart of success and the performance of managers eligible for an incentive payment is assessed on HOW they lead and manage their teams as well as WHAT they deliver in accordance with agreed objectives.
- 3.3 That the scheme continues to be monitored to ensure that it drives improvement in organisational performance.

4.0 Wards Affected

- 4.1 This report does not have a major effect on Council wards

5.0 Local Ward Members

5.1 This report has no effect on ward members.

6.0 Policy Implications

6.1 The Council's Pay Policy covers the remuneration and benefits arrangements for manager roles and enables the Council to attract and retain talent, through a fair, flexible and performance related approach. In the region of 100 posts are currently classified as follows (although these do not denote grades):

- Directors
- Heads of Service
- Corporate / Principal Managers
- Operational Managers

7.0 Implications for Rural Communities

7.1 There are no implications for rural communities

8.0 Financial Implications

8.1 There are no immediate financial implications arising from this report.

9.0 Legal Implications

9.1 There are no legal implications at this stage.

10.0 Risk Management

10.1 Performance related pay currently forms an integral part of the total reward package for managers. Any change to the arrangements will have consequences upon the Pay Policy.

11.0 Background and Options

11.1 Following a formal review of senior salaries by HAY in 2013 Performance Related Pay (PRP) was introduced for managers who were on grade 13 and above as part of the management review. The first "performance awards" were paid in July 2014 for exceptional performance in 13/14. It should also be noted that managers in the Council are paid well below the median pay rate for senior managers according to the HAY Group information and that even with PRP payments added most do not earn median pay for the public sector and not for profit group.

11.2 PRP currently forms part of the Senior Management reward package which was designed for senior post holders and ensures rewards are linked to the achievement of the 3-Year Council Plan. Its aim is to

deliver the highest levels of performance and recognise and reward that performance.

- 11.3 Pay and Reward forms an important element of any employer's ability to attract and retain skilled staff. The Council's approach to pay and reward will be reviewed and monitored as part of the Council's Workforce Strategy which is currently under development as the regional context of pay and reward is an important consideration. For example, recent senior recruitment is highlighting differentials that were not apparent in 2013 when the scheme was introduced.
- 11.4 The use of PRP is recognised by national professional bodies such as ACAS and CIPD. Whilst 208 Councils in England and Wales have over 3,000 senior employees receiving PRP payments on the same or similar basis as this Council, nevertheless the context of regional pay and reward is important given comparative analysis set out in 11.1 of this report.
- 11.5 Managers appointed under the management review were issued new contractual terms and conditions which included the appointment to a spot salary with the opportunity to earn an incentive payment or "performance award". The right to annual increments was removed along with the use of the flexi time scheme. The performance award is pensionable.
- 11.6 The overall aim of the performance incentive scheme is to best utilise the limited reward budget available and reward those managers who make the greatest contribution to Council objectives through exceptional performance. It must also be noted that only managers whose performance is rated and moderated as A or B receive an award and this is reviewed each year. The arrangements will be reviewed. As the scheme forms part of the contract of employment for the employees currently covered by the scheme, a formal process will therefore need to be concluded with the recognised trade unions to amend or withdraw the scheme in a managed way.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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