

PERTH & KINROSS COUNCIL

Strategic Policy & Resources Committee

25 November 2020

EXECUTIVE STRUCTURE ARRANGEMENTS

Report by Chief Executive

(Report No. 20/238)

Purpose

This report seeks approval of changes which strengthen the leadership and management arrangements within the Council. It also provides the outcome of the first phase of a formal job evaluation exercise for chief officer posts which will establish an independent, robust and objective method of salary determination.

1 BACKGROUND/MAIN ISSUES

- 1.1 The current leadership and management arrangements for the Council were agreed by the Strategic Policy & Resources Committee on 7 February 2018 as part of the Council's Building Ambition series of proposals (Report No 18/45 and Report No 15/258). These were designed to ensure that the Council was prepared for future challenges.
- 1.2 Further changes are now required to ensure sustainable and effective leadership and management arrangements as a result of retirement and resignation among chief officers across the Council since then.
- 1.3 Reviewing the executive leadership arrangements allows implementation of an independent job evaluation scheme for chief officers, an exercise which was commissioned in early 2019 to ensure the Council had a robust and objective approach to determining salary levels. Unlike other occupational groupings, there is no nationally agreed job evaluation approach for chief officer roles in Scottish Councils, with each Council developing its own arrangements.
- 1.4 The Chief Executive, as Head of Paid Service, set out a phased approach to the job evaluation process for chief officers, with the first phase commencing in October 2019, focussing on Executive Director/Director roles. This was undertaken by an independent organisation, Korn Ferry, using the Hays Job Evaluation Method (section 3). Work continued until March 2020, when the first phase of the process was completed. As a result of the need for all officer efforts to be focussed on delivering essential services as a result of the Covid-19 pandemic, the process had to be paused. It had been intended to bring the first phase of the job evaluation outcome to the Strategic Policy & Resources Committee in Spring 2020; however, lockdown meant the committee was cancelled. Phase 2, which covers all other chief officer posts, has been delayed as a result.

- 1.5 This report brings forward proposals to strengthen strategic leadership capacity in order to maintain stability at executive level and manage increasing demands as a result of the continuing response to Covid-19; a strategic focus on recovery; and developing and implementing the Perth and Kinross Offer. Concurrent to strengthening the executive structure is the need to implement the first phase of the formal job evaluation exercise for the posts reporting directly to the Chief Executive. This will establish an independent, robust, and objective method of salary determination, ensure salary levels remain competitive as an aid to retention and recruitment, and ensure salary levels are fair, transparent, equitable and affordable.

2. PROPOSALS FOR STRENGTHENING LEADERSHIP CAPACITY

- 2.1 Executive/Director roles will continue to undertake strategic roles to support the Chief Executive, as has been evident over recent months. As a consequence of the growing demands for the Chief Executive to attend and provide input at executive level meetings locally and nationally, Executive Directors have been required to deputise and take decisions on her behalf. Following the retirement of the Depute Chief Executive/Chief Operating Officer in July 2020, these demands now form a core part of each of these roles. It is therefore **proposed** that the Executive Director – Education & Children’s Services and Executive Director – Housing & Environment (proposed at 2.4 to be renamed as Communities) will deputise for the Chief Executive, as may be required from time to time in their absence. When doing so, they may use the job title designation of Depute Chief Executive.
- 2.2 Should at any point there be extended absence or unavailability of the substantive Chief Executive, the post of Executive Director – Housing & Environment (proposed at 2.4 to be renamed as Communities) will become the Interim Chief Executive and with appropriate salary recompense.
- 2.3 A number of adjustments to the grouping of functions and activities that currently sit with Housing & Environment and Corporate & Democratic Services will ensure cohesion and a better fit with the strategic direction of the Council in developing the Perth and Kinross Offer.

Communities Service

- 2.4 Engagement with communities on the Perth and Kinross Offer and our work with communities and partners to support people throughout the Covid-19 pandemic have emphasised the symbiotic relationship between People and Place. In order to optimise the synergies of having many People and Place functions together within a single directorate, it is **proposed** that the Housing & Environment Services is renamed Communities. This Service will be led by Barbara Renton, Executive Director – Communities who will continue to lead the development of the Perth and Kinross Offer.
- 2.5 In the current approved structure, the post of Depute Chief Executive had executive responsibility for strategic economic development (including Cities Alliance and the Tay Cities Deal), strategic planning (including progression of the Local Development Plan), strategic development of joint working

arrangements, and culture and communities. These functions are inextricably linked to People and Place and as such will transfer to the Executive Director – Communities.

- 2.6 Therefore, Planning & Development functions, and Culture & Communities functions will also form part of the new Communities Service. Culture and Communities had transferred on an interim basis to Housing & Environment with effect from September 2020. Planning & Development will transfer on 4 January 2021.
- 2.7 All of the functions and responsibilities described above are strategic enablers for strengthening communities, with a focus on People and Place, with a focus on the Perth and Kinross Offer.

Corporate & Democratic Services

- 2.8 The role of Corporate & Democratic Services is to be proactive in supporting services to deliver the Council's strategic direction and is pivotal in enabling the Council to respond to the changing public service landscape whilst providing stability and sustainability during a period of significant change.
- 2.9 Corporate & Democratic Services was under the leadership and direction of the Depute Chief Executive, who also fulfilled the role of Chief Operating Officer, until early retirement of the postholder in July 2020. Interim arrangements for the role of Chief Operating Officer, who provides leadership and oversight for the Council's business operations, have been in place since April 2020.
- 2.10 It is **proposed** that the role of Depute Chief Executive is deleted and the role of Chief Operating Officer is made permanent within the structure. This role will have responsibility for the leadership and management of Corporate & Democratic Services. This role will report directly to the Chief Executive and will have responsibility for the business operations of Finance, Legal & Governance, IT/Customer Services/Revenues, and Human Resources.
- 2.11 Property Services, which is currently within Housing & Environment, will also be aligned to this Service portfolio, bringing together the leadership and management of the core resources functions of workforce, finances, IT/Digital and property as strategic enablers for delivering Council priorities. Property Services will transfer to Corporate & Democratic Services on 4 January 2021.
- 2.12 It is **proposed** that the Chief Operating Officer is advertised internally within the Council. Depending on the substantive role of the successful candidate **either** their existing substantive role **or** a senior role elsewhere in the organisation will not be filled. This will contribute to a net recurring saving to the Council. The scale of such saving will become clear once the internal appointment is made; along with no subsequent filling of another substantive role in the organisation.
- 2.13 The recruitment panel for the Chief Operating Officer will comprise of five elected members as per the Council's Scheme of Administration, together with the Chief Executive.

- 2.14 These proposals are essential to create and maintain senior management capacity to support the Chief Executive to drive forward the Council's vision and objectives, including the implementation of the Perth and Kinross Offer and new ways of working. In a complex reform environment, there is an increasing focus and time commitment required to develop and drive cultural change and maintain strong governance, performance and engagement. These proposals will ensure that the Council continues to have sufficient senior management leadership and capacity at a strategic level to support the delivery of the Council's business agenda.
- 2.15 The current and proposed structure is shown in Appendix 1.

3 EVALUATION AND GRADE DETERMINATION PROCESS

- 3.1 It is important to note that the post of Chief Executive is excluded from this exercise on the basis that the salary level for chief executive posts is determined nationally by the Scottish Joint Negotiating Committee (SJNC). The Chief Executive salary scale has not been reviewed since 1999.
- 3.2 As outlined above, an independent review was undertaken by Korn Ferry, using the Hays Job Evaluation Scheme. When this exercise started, four posts reporting directly to the Chief Executive were examined. However, following the retirement of the Deputy Chief Executive/Chief Operating Officer, the Korn Ferry Consultant refreshed the job evaluation exercise based on the revised remits of Executive Director – Communities and Chief Operating Officer, as described in Section 2 of this report, using the factors of Know How, Problem Solving and Accountability.
- 3.3 Each Executive Director has a broad portfolio of strategic leadership responsibilities for professional functions and services within the Council and with partner organisations, including the requirement to deputise for the Chief Executive. In addition, the Director of Integrated Health and Social Care/Chief Officer is unique in having multiple accountabilities to Perth & Kinross Council, NHS Tayside and the Integration Joint Board.
- 3.4 The similar demands of the posts of Executive/Director are reflected in the job evaluation outcomes falling within a very narrow range. Therefore, this confirms that these three posts should be rewarded equitably and attract the same salary value.
- 3.5 The proposed new post of Chief Operating Officer has also been evaluated using the Hays Job Evaluation Method and on the same factors of Know How, Problem Solving and Accountability. The demands for this role fall at a lower level to those of Executive/Director.
- 3.6 The job evaluation exercise provided a ranking for posts using an objective assessment of their respective size and shape, and a scheme which is equal pay compliant. It is for the Council to determine job clusters and to apply an appropriate level of salary, which in this case would be from the spinal column of salaries for chief officials as set nationally by the SJNC. It is important to

take account of salary benchmarking information to ensure that salary levels remain competitive as an aid to retention and recruitment, while also ensuring they are fair, equitable and affordable.

3.7 Two sets of benchmarking data have been used –

- (i) Korn Ferry salary benchmarking information which captures job size and pay relativities and comes from public sector (NHS, Universities, councils, etc) and Not For Profit Organisations covering all functions, across the UK excluding London;
- (ii) and a benchmarking exercise of salary levels for chief officer posts in a sample of nine Scottish Councils, carried out in December 2019.

The salary levels applied in Scottish Councils reflect a wide range of local factors including their operating model, the extent to which the council has externalised services, grouping of services, demographics, mix of urban and rural communities, patterns of inequality, design of job roles, span of control and levels within their organisational hierarchy, etc.

3.8 Both sets of benchmarking information provide useful context to understand salary levels for posts of similar shape and size, ensuring our salary levels are competitive as an aid to retention and recruitment.

Current and proposed salary arrangements

3.9 The current PKC salary information for the post of chief executive and her direct reports is shown in the table below. Appendix 4 is an extract from the SJNC pay spine for chief officers and is the source for the CO grades.

Post	Current CO Grade	Current PKC Salary (Apr 2020)	Relevant Korn Ferry Benchmark Salary Level	Proposed CO Grade	PKC Salary
Chief Executive	Set by SJNC	£138,047	Level 25	N/A	N/A
Executive Director – Education & Children’s Services	CO46	£111,265	Level 23	CO51	£120,901
Executive Director – Communities	CO46	£111,265	Level 23	CO51	£120,901
Director – Integrated Health & Care	CO46	£111,265	Level 23	CO51	£120,901

Chief Operating Officer	CO46	£111,265	Level 22	CO46	£111,265
-------------------------	------	----------	----------	------	----------

- 3.10 The salary grade CO51 had originally been applied to Executive Director posts in 2011. However, from 2017, Executive Director posts were graded CO46 and Depute Chief Executives were graded CO53 or CO54. The council senior management structure has evolved over time, with different levels of responsibility and design of roles. This exercise provides an independent, and transparent assessment of what the salaries for the posts should be.
- 3.11 In order to ensure that PKC offers a competitive salary for its Executive Director/Director roles evaluated at Korn Ferry Level 23, it is **proposed** that the salary grade CO51 - £120,901 should apply to the three posts of Executive Director/Director reporting to the Chief Executive.
- 3.12 The salary grade for the Chief Operating Officer role should also be determined based on the overall responsibility and demands of the role. Based on the evaluation outcome at Korn Ferry Level 22, it is **proposed** that the salary grade is CO46 £111,265. This will maintain a differential between the current Depute Directors (CO39 £97,796), this role and the proposed salary for the Executive Director/Director roles.
- 3.13 The post of Chief Operating Officer on CO46 will replace the role of Depute Chief Executive/Chief Operating Officer which was graded CO53 £124,763.
- 3.14 It is recommended that the new salary level for Executive Directors is effective from April 2020. The rationale for selecting this date for the salary increase is this report was expected to have been reported in March for a decision had it not been for Covid and the lockdown. Furthermore, the duties and responsibilities of the Executive Director/Director have been operating since their appointment to their roles and they have undertaken additional responsibilities as a result of the subsequent long-term absence of the Depute Chief Executive prior to retirement from the Council on 31 July 2020.

4 FINANCIAL ASSESSMENT

- 4.1 There will be a net recurring saving to the Council on full implementation of the recommendations within this report. The full year gross costs for the regrading for all three Executive Director/Director posts is £37,812.
- 4.2 The difference between the deleted Depute Chief Executive post and proposed Chief Operating Officer post is a net saving of £17,655 in a full year. Therefore, there are no additional costs required to progress with this internal recruitment.
- 4.3 The net total cost of the salary increase for the posts of Executive Director/Director is, therefore, £20,157 in a full year. These costs will be

contained within existing budgets derived from savings arising from realigning duties of the Depute Chief Executive role to lower graded posts and through not backfilling either the substantive post or a post lower in the structure of the successful applicant following internal appointment of the Chief Operating Officer.

- 4.4 Phase 2 will be undertaken at a future date, using the Hay Group Job Evaluation Method for the remaining Chief Officer posts

5 CONCLUSION AND RECOMMENDATIONS

- 5.1 The Council continues to operate within a complex environment where the pace of change facing us is relentless. In order to ensure alignment of resource to deliver Council priorities that can be volatile, uncertain and complex, we need to remain bold in our ambition to maintain focus on our strategic priorities and vision. These proposals are essential in the delivery of the Council's strategic priorities.
- 5.2 The revised executive structure will also ensure balanced workloads across the chief officer group.
- 5.3 Introducing the Hays Job Evaluation Method as an independent, transparent and objective job evaluation exercise will provide Perth & Kinross Council with a reliable and informed basis for determining chief officer salaries. It also provides an equal pay compliant scheme for chief officers, as other occupational groups are already covered by their own job evaluation methods. It is also important to ensure that salary levels remain competitive as an aid to retention and recruitment, ensuring they are also fair, equitable and affordable.
- 5.4 It is **recommended** that the Strategic Policy & Resources Committee approves
- (i) the Executive Director – Communities and Executive Director – Education & Children's Services will deputise for the Chief Executive, as may be required from time to time in their absence; and when doing so, they may use the job title designation of Depute Chief Executive.
 - (ii) the Executive Director – Communities becomes the de facto Interim Chief Executive should there be any sustained period of absence or unavailability of the substantive postholder, with appropriate salary recompense.
 - (iii) the change of service name of Housing & Environment to Communities, noting the transfer of functions as detailed within the report.
 - (iv) the salary levels for the posts of Executive Director – Education & Children's Services, Executive Director – Communities and Director of Integrated Health and Social Care/Chief Officer reflect the independent job evaluation outcome and additional duties with effect from April 2020, therefore increasing from CO46 (£111,265) to CO 51 (£120,901).

- (v) the deletion of the post of Depute Chief Executive/Chief Operating Officer CO53 (£124,763), to be replaced by the creation of, and internal recruitment to, the role of Chief Operating Officer on CO46 (£111,265).
- (vi) a further report from the Chief Executive on chief officer salary levels on conclusion of Phase 2 of the job evaluation exercise

and it is further **recommended** that the Strategic Policy & Resources Committee notes

- (vii) that the executive structure will bring capacity and stability to the Council at a critical time, as well as a net recurring saving. It does not however limit the new Chief Executive bringing a restructure of other staffing levels across the Council in due course
- (viii) there will be a further report to the Council to update and amend the Scheme of Administration to reflect the changes in delegated responsibilities as a result of this report.

Author

Name	Designation	Contact Details
Pauline Johnstone	HR Manager	01738 475432

Approved

Name	Designation	Date
Karen Reid	Chief Executive	24 November 2020

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	Yes
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Community Plan/Corporate Plan

- 1.1 The Community Plan and the Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.2 This report relates to all these objectives.

2. Resource Implications

Financial

- 2.1 There will be a net recurring saving to the Council on full implementation of the recommendations within this report. The full year gross costs for the regrading for all three Executive Director/Director posts is £37,812.
- 2.2 There is a net saving of £17,655 in a full year from the deletion of the Depute Chief Executive post and the creation of the proposed Chief Operating Officer post. Therefore, there are no additional costs required to progress with this internal recruitment.
- 2.3 The net total cost of the salary increase for the posts of Executive Director/Director is £20,157 in a full year will be met covered by existing budgets and derived from savings arising from not backfilling either the substantive post of the successful applicant following internal appointment of the Chief Operating Officer or a post lower in the structure.

Workforce

- 2.4 The report details changes to the executive structure of the Council. It does not change the number of chief officers within the current complement.

Asset Management (land, property, IT)

- 2.5 There are no direct asset management implications arising from this report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Legal and Governance

- 3.7 The Head of Finance and the Head of Legal and Governance have been consulted on the issues contained in this report.

4. Consultation

- 4.1 The Executive Directors/Director have been consulted on this report, along with the Head of Legal and Governance

5. BACKGROUND PAPERS

- 5.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

6. APPENDICES

- Appendix I – current and revised Executive Officer structure