The Melody Lingers On...

A Review of the Audits of People, Pay and Performance

Councils face increasing demand for services and resources remain tight...
♦ increasing numbers of elderly people and a rising school population are putting particular demands on services
♦ more competition and local government reorganisation pose additional management challenges
♦ recent revenue support grant settlements have been below inflation
♦ councils reduced non-manual staffing outside education and social services by 17,000 full-time equivalents between 1993 and 1995

...but between 1993 and 1995 the total non-manual paybill has continued to rise.
♦ authorities' additional community care responsibilities and changes in schools have resulted in more school based non-teaching staff and social services staff
♦ overall numbers have increased by 5,000 full time equivalents per year
♦ the percentage of staff graded at Senior Officer or above has risen from 27 to 31 per cent

Over 400 local audits have looked at people, pay and performance in local authorities...
♦ there is wide variation both within and between authorities over pay, performance management, organisational effectiveness and communications
♦ many councils are changing fast, using organisational review and performance management techniques to support the changes

...and there is scope for authorities to make further improvements.
♦ all authorities should develop a framework of business planning and performance review, involving everyone from front-line staff to members
♦ authorities should consider the use of organisational review and benchmarking to help target areas for improvement
♦ existing pay systems should be kept under review to identify and tackle weaknesses
♦ the right mix of staff should be employed for the services required

Performance management is not a 'quick fix' which can overcome all the problems of reduced resources. However, by focusing on key aims and improving staff productivity, authorities can manage and protect services more effectively.
The Audit Commission

... promotes proper stewardship
of public finances and helps those
responsible for public services
to achieve economy, efficiency
and effectiveness.
Introduction

1. Staff costs make up over 60 per cent of all local government expenditure. Good deployment of staff and clear objectives for staff to work towards are central to delivering local government services efficiently, effectively and in line with council priorities. Continuous attention is important. Changes in local needs, circumstances and priorities may require changes in staff numbers or qualifications. While resources remain constrained, such changes need to be linked to reviews of current practices and to robust monitoring of pay levels and paybill.

2. Paying the Piper and its companion report, Calling the Tune, (Ref. 1) were published in January 1995 to address these issues. These reports showed that some authorities were monitoring the situation and managing it more effectively than others.

3. Although initial reaction to the reports was mixed, their messages triggered interest and led authorities to ask questions and initiate reviews. In the context of government policies that afford no future growth, only further restraint, local authorities are aware that maintaining service levels means making their money go further. Alongside councils the Local Government Management Board (LGMB) has run a number of relevant seminars and given advice to local authorities on their policies and practices. The Government agreed that local government should conform with the rest of the public sector and publish salary data on top level pay in annual accounts, starting in April 1997.

4. The Government's policy of constraining the public sector paybill was a major factor influencing the Commission's decision to undertake a study and subsequent audits in this area. In 1993, the Government decided to freeze running costs, including paybill, until 1997/98; over four years this represents a required saving of £1 billion. Through the use of good practice approaches already in place in leading authorities, the Audit Commission suggested how half that sum could be found. Essentially, management needed to find ways in which 19 people could continue to provide the same level of public service that was previously supplied by 20. Paying the Piper suggested that, in time, councils could achieve a 5 per cent saving in staff costs through:

- ♦ better use of staff via good business planning and performance management;
- ♦ better control of salaries through reviews and tighter pay policies;
- ♦ leaner management through review and delayering; and
- ♦ benchmarking and reviews at the point of service delivery.

By looking at good practice examples and authorities that had achieved change, the two reports helped to focus attention on achieving savings while protecting public services.

4. Unwelcome though such financial pressure may be, local government has coped well by targeting the consequences.
Since the original study, major changes have taken place. Between 1993 (the cut-off point for the data used in the reports) and 1995 (when the report was published), non-manual staff numbers fell in services other than education, recreation and social services. Assuming average salary and on-costs, authorities have reduced their annual paybill by around £400 million in these ‘other’ services (Exhibit 1). Not all of this is a direct cost saving to the authority, as some of the reduction will be due to switches from in-house staff to external suppliers; for example, a voluntary transfer of housing stock and staff. However, significant savings have been made.

6. The issues raised in the reports were considered in varying degrees of detail at a local level in 417 authorities in 1995 by auditors appointed by the Commission. They reported £56 million improvements locally from three services - housing, finance and libraries (Refs. 2, 3). In addition, many local authorities committed themselves to action plans which may help to deliver additional savings.

7. It is difficult to be certain about the effect of paybill reductions and other actions on services. The impact of good performance management on costs is indirect, and changes of this sort take time to produce results. However, the audits, the new trends in staff numbers and the Commission’s performance indicators provide examples of local government sustaining public services despite financial constraints, as well as re-focusing resources on to new initiatives and areas of increased demand, particularly in education and social services.

Exhibit 1
Changes in non-manual staff (fte) 1987 to 1995

Between 1993 and 1995 non-manual staff numbers fell in services other than education, recreation and social services. Assuming average salary and on-costs, authorities have reduced their annual paybill by around £400 million in ‘other’ services.

Note: Education staff numbers adjusted to take account of the incorporation of further and higher education, moving 31,370 posts out of local government.

Source: Audit Commission analysis of LGMB data.
8. This bulletin reviews the messages of the two reports in the light of relevant national trends since 1993 and local audit findings.

- **The national context** (Chapter 1) looks at overall changes to staff numbers, pay and grades between 1993 and 1995 and compares these to previous trends.

- **The local audit findings** (Chapter 2) comments on how authorities are dealing with people, pay and performance at a local level. This section covers benchmarking, paybill management, aspects of organisation review and elements of performance management. It looks at the ways in which elected members can be effectively involved; and suggests ways in which performance in some authorities can still be improved.

An action checklist for members and officers is given at the end of this bulletin.
9. Councils are caught 'between a rock and a hard place': between government targets to reduce local authority spending and pressures for more and better services. Recent revenue support grant settlements have been below both inflation and local government pay settlements. Current government spending plans assume a reduction in local government spending of 3.2 per cent in real terms between 1995/96 and 1998/99 (excluding additional community care money). A short-term approach to financial restraint can lead to reductions in public services but leave overhead costs, such as central staff, relatively unaffected. The aim of the Commission’s reports and audits is to assist councils in meeting this challenge with a minimal effect on the public services that they provide.

Trends in people and pay, 1987 to 1995

10. The non-manual paybill continues to grow at a faster rate than pay settlements, inflation or average non-manual earnings (Exhibit 2). Between 1987 and 1993, there was a rise across all local authorities of over 80,000 full time equivalent (fte) non-manual staff, (an average of 2 per cent per year), accompanied by a sharper increase in the paybill as average salaries increased faster than pay settlements. Figures for the following two years show that these trends have continued, but that the non-manual staff increase is smaller - approximately 5,000, or under 1 per cent per annum - and no longer spread across most services. These trends are similar to those in the economy as a whole, where there has been a growth in non-manual posts and average earnings. Annual New Earnings Surveys show that, between 1987 and 1995, both average non-manual earnings in the economy as a whole and APT&C non-manual earnings rose by 71 percent (Ref. 4).

11. The data in Exhibits 2 and 3 and in the New Earnings Surveys begs many questions. Some might try to infer that local authority pay is 'out of control'; others might see the information as evidence that trends in local government simply reflect those in the broader economy. It is impossible to draw precise conclusions from such aggregate data. Each council needs to assemble equivalent local data and evaluate it in the context of its particular setting. The local audits will have helped in this respect, but councils need to remain vigilant over these questions and ensure that they have systems to report on paybill performance.

What happened to staff numbers 1993 to 1995?

12. While non-manual staff numbers continue to rise, overall employee numbers are still falling (Exhibit 3). The fall is mainly among manual staff. These changes are linked to the increasing use of external contractors, efficiency improvements and changing demands. The move towards contracted-out services makes it difficult to compare directly changes in total staff numbers and the...
The National Context

Exhibit 2
Paybill, settlements and earnings 1987 to 1995

The non-manual paybill continues to grow at a faster rate than pay settlements, inflation or average APT&C earnings.

Source: Audit Commission analysis of LGMB data.

Exhibit 3
Percentage change in employee numbers by staff group (fte)

While non-manual staff numbers continue to rise, total employee numbers are still falling.

Source: Audit Commission analysis of LGMB data.

Note: The unadjusted numbers published via joint staffing watch show an apparent fall in numbers in 1995 compared to 1993 of 16,000. However, this ignores three important changes: (a) the incorporation of further and higher education, moving 31,370 education posts out of local government; (b) a change in the way that full time equivalents are counted; (c) a change in the dates when counts take place. All graphs and figures quoted have been amended to take account of these changes and show what the position would be if the groups in (a) had remained within local government. The figures for teachers exclude those in grant maintained schools.
paybill over the period. At a local level, individual authorities can make historic comparisons which take into account the extent of contracting out and the effect that this has had on both the direct paybill and their manual workforce.

13. Between 1993 and 1995, increases in staff numbers were concentrated in areas of significant change and increased demand: social services and education. Other services (excluding recreation) show the effects of the containment of local government expenditure, with the decline in numbers in the last two years equalling the increase of the previous six. The ending of the community charge reduced the need for finance staff, and continuing falls in construction-related services meant reductions in numbers of engineers, surveyors and architects. Regrettably a change in service definitions in 'manpower watch' makes it impossible to compare changes statistically in these 'other' services, except in total.

14. The increase in non-manual education staff relates to service delivery and changes in schools. There was a 16 per cent increase in nursery nurses, classroom assistants and other school-based non-teaching staff (for example bursars) between 1993 and 1995. This follows the implementation of local management of schools and a more integrated approach to special needs support. A rise in pupil numbers in nursery (where minimum staff:pupil ratios are fixed) and reception classes has also contributed. A recent study has shown that such associate staff are highly valued by schools and are considered cost effective by heads and governors (Ref. 5).

15. Social services growth was driven mainly by councils taking on additional community care responsibilities. Local authorities have received specific additional grant funding for community care, some of which has been used for additional staff costs. Between 1993 and 1995 there were increases in professional and social services support staff undertaking both central planning and fieldwork services. There has also been some reclassification of manual staff in areas like home care, which will have increased the numbers in the lower scale non-manual posts.

What is causing the increase in the paybill?

16. Additional numbers account for around one-quarter of the total increase in the paybill. The rest comes from the rise in average earnings, which have increased by more than inflation (Exhibit 2). 'Average earnings' is a mixture of settlements, salary increases from increments, bonuses (such as overtime payments or performance-related pay) and grade shift (Exhibit 4). Despite 'delayering' in some authorities, the steady increase in both the numbers and percentage of staff in the higher grades noted between 1987 and 1993 has continued (Exhibit 5, overleaf).

17. The relative importance of each factor will vary between councils. A local breakdown may help authorities target their paybill strategies.

18. Between 1987 and 1993 the number of staff graded at Principal Officer (PO) or above increased by 53 per cent, an average of 6,500 per annum; since 1993 this rate of growth has fallen slightly to 6,000 per annum, with a faster increase in Senior Officer (SO) grades. Some of this increase is accounted for by staff on long pay scales moving up the scale in a period of low turnover. Some is due to the
The National Context

Exhibit 4
Causes of the increase in non-manual paybill, January 1993 to June 1995

Additional numbers account for only around one quarter of the total increase in the paybill. The rest comes from a mixture of settlements, salary increases from increments, bonuses and grade shift.

Note: Assuming average earnings for new staff members.

Source: Audit Commission analysis of LGMB figures.

creation of new posts. Reviews and productivity improvement may involve fewer but better qualified and better paid staff to achieve the same level of output. Recent decreases in staff numbers are concentrated among those in lower grades, especially at the lowest grades of scales 1 to 3.

19. Some staff have been reclassified from manual to non-manual grades between 1987 and 1995. The number of staff affected is not known. However, any staff reclassified will have moved on to scales below SO. If these staff were excluded from the totals, the trend towards higher grades among existing white collar staff would be greater.

20. There has been little change in differentials across white collar employees (Ref. 4). In most regions, the lower graded staff are relatively better off when compared to the private sector, while nationally those in the top 10 per cent salary band in local government are relatively less well paid. However, such comparisons can be misleading. The situation in local authorities does not exactly mirror that of the private market. To some extent, they can and do create their own market, frequently competing with each other for valuable staff. The continuing rise in grades is often driven by retention and recruitment strategies which are designed to improve the attractiveness of one council over other local authority employers.
Despite ‘delayering’ in some authorities the steady increase in both the numbers and percentage of staff in the higher grades noted between 1987 and 1993 has continued.

**Exhibit 5**

**Changes in the number of non-manual staff in different grades, 1987 to 1995**

Note: the first two columns compare change over six years; the time span between the middle and final column is only 2 years.

**Source: Audit Commission analysis of LGMB data (figures adjusted as explained in note to Exhibit 3).**

---

**What has been happening to top pay?**

**21.** Higher pay at the very top is a small part of the total paybill increase. However, top salaries have an impact on the expectations and attitudes of all staff. They are also the part of pay policy for which members are directly responsible. A structured approach to setting them is therefore extremely important.

**22.** Male non-manual earnings in the top grades in local government have increased faster than those at the bottom (Ref. 4). This mirrors movement in the economy as a whole. An increase in pay at the very top is also noticeable in other areas of the public sector. (For example, headteacher salaries have increased faster than those of classroom teachers, although some of this increase has come about because of increasing responsibilities arising out of the local management of schools (Ref. 5).)

**23.** The Commission recommended openness, clear guidelines and giving a group of councillors specific responsibility for top-level remuneration. The Government accepted the Commission's advice on 'openness' by introducing new audit regulations (Ref. 6): from 1997, authorities will have to publish, with their accounts, the number of employees whose remuneration is over £40,000, giving the numbers in each band of £10,000 above the £40,000 base. (Remuneration includes the money value of benefits other than cash as defined in the Companies Act.)
24. Guidelines are now available for members. They are available in summary form both in the Commission's own publications (Refs. 1, 7) and in more detail from the Local Government Management Board (Box A).

25. Local government reorganisation is resulting in a significant number of new top-level appointments, giving rise to the need to make decisions on appropriate salaries. There is an optional national framework for chief officers' pay which can be used. The current market for chief officers is almost entirely restricted to local authorities, and it is councillors' decisions and not those of an external market that push up pay and benefit levels, often with a noticeable 'leap-frogging' effect (Ref. 9). Some of the problems are caused by competition rather than co-operation between neighbouring councils. Others can be attributed to a lack of market knowledge.

26. Inter-authority benchmarking clubs, which share data on pay, already exist at officer level. Members could also consider sharing more experience at their level. Councillors could make more active use of the employers' regional councils to exchange experiences and 'hold the line' on local employment markets. Where a two-tier system remains after local government reorganisation, counties and districts operating in the same local job market could use pay clubs to look at co-ordination, at both officer and member level.

Box A

Top managers' pay

The Local Government Management Board has produced advice for members and held a series of seminars for officers and members on the issue of top pay (Ref. 8). It suggests that authorities may wish to take accountability further than the regulations require, perhaps by annual reports to members which:
- show top pay in bands of £5,000;
- compare year-on-year changes;
- explain whether and why pay exceeds national agreements;
- give ceilings for performance-related pay, if applicable;
- give details of and reasons for any pay supplements; and
- report the percentage 12-month increase in the top staff paybill compared with that for the whole workforce.
The Local Audit Findings

27. National figures are the aggregation of many local decisions and trends. The situation in individual councils may reflect the average or be distinctively different. Local audits examine each council, tailoring the advice and information of the Commission’s studies to fit local circumstances. The second part of this bulletin assembles the results of those audits. It reports the main findings and gives examples of good practice.

28. A brief ‘overview’ audit was carried out in 417 authorities in 1995 - 93 per cent of all councils. In most cases this included initial benchmarking by collecting comparative data on the range of indicators outlined in the Appendix. In an ‘overview’ the local auditor looks at selected indicators of authority performance, based on some locally collected information and national comparisons. The aim is to identify areas of concern for more detailed study. In 267 authorities more detailed work was carried out. The management of pay and performance is a huge area, and so the audit was designed to offer a wide choice of topics and investigative tools. At a local level auditors selected only some topics and departments for review (depending on circumstances), investigating any concerns raised by the brief overview. The areas covered in the detailed audits varied from authority to authority. Sometimes auditors will revisit the topic in future years to review other aspects of performance; elsewhere, authorities themselves intend to use some of the suggested techniques to monitor change or to investigate further parts of the council.

29. The most common topics for review were:

- **Benchmarking**: how do authorities compare on a range of measures representative of good paybill and performance management? Do they use appropriate comparative data at all levels in the council? Do members receive good comparative data?

- **Paybill management**: do authorities have consistent guidelines for determining pay? How do they manage pay progression and determine pay rates?

- **Organisation review**: how many tiers of management are there in selected departments, and what is the mix of senior/junior jobs? Should these be reviewed?

- **Specifying and communicating aims and objectives**: do authorities know what they want to do, and how they intend to do it - and have they made sure that all staff and elected members know?

- **Performance review**: how do authorities measure performance, both corporately, departmentally and at an individual level? How do they use this information to bring about changes?
Benchmarking

30. Benchmarking is an important tool to help authorities improve their performance. The term covers both:

- **comparative performance measures** (used to identify opportunities for improvement and realistic efficiency targets); and

- **looking at the processes and procedures of the best performing organisations** (to identify best practice ideas that can be adapted to an authority's own circumstances).

A more detailed survey of the uses of benchmarking and current local authority examples will be covered in a forthcoming management paper.

Comparative performance measures

31. There are difficulties in using raw data comparisons. One must be careful to account for the effect of external circumstances - such as the general socio-economic characteristics of an area - on activities. It can be difficult to select genuinely similar comparators. It is also difficult to define the impact of service quality on comparative costs and numbers. But these concerns do not undermine the intelligent use of such tools when they are interpreted with care.

32. Data comparisons raise questions and help to trigger investigations and change - especially if several indicators tell a similar story. They are accessible to members and the public. The evidence of the first two years of local authority performance indicators is that they can have a positive effect on standards. The worst performers in key areas have improved most.

33. Unfortunately, there are still authorities more concerned with the problems of comparisons than with the opportunities that benchmarking brings; in over one-third of the cases where benchmarking was looked at in detail, auditors commented on a 'defensive approach to external comparisons.'

34. However, many authorities routinely compare themselves against both internal and external comparative data. This is more often done for inputs - especially cost and staff time - than for outputs, which can be harder to measure. Input/output measures are sometimes supplemented by regular customer satisfaction surveys.

35. In the personnel field, one topic which can be readily quantified is the opportunity cost of sickness absence. Good sickness management is usually indicative of a wider competence in managing other personnel questions. Indeed, local audits confirmed a correlation between lower average sickness levels and good performance management. There are still some authorities where significant savings could be made if sickness absence levels were reduced to those of better performing councils (Exhibit 6, overleaf, Ref. 10). Auditors quantified potential value improvements of at least £13.6 million in 21 authorities, and the potential for significant improvements was identified in a further 24. Specific local studies have found additional possible savings of £2.8 million in this area; one London borough where District Audit had carried out previous work on sickness absence reported savings of £500,000 a year by 1994/95.
Exhibit 6
Variations in sickness absence rates across local authorities

There are still some authorities where significant savings could be made if sickness absence levels were reduced to those of better performing councils.

Note: The Local Government Management Board is carrying out additional work in this area which should provide future data comparators.

Source: Audit returns. Quartiles and average days lost by authority type are reproduced in the Appendix.

Looking at the processes and procedures of the best performing organisations

36. Comparison of processes is a further important step in benchmarking, and there are a number of authorities trying to follow this route at both a unit and an authority-wide level. Tower Hamlets (Case Study 1) has adopted a high profile ‘process benchmarking’ strategy as part of its reorganisation from a very decentralised to a more corporately run authority. Easington District Council has joined a benchmarking club which is dominated by private sector organisations. (Case Study 2).

Member involvement in benchmarking

37. Benchmarking can help elected members to make better decisions. Audits showed that two important sources of comparative information for members were Audit Commission profiles, which were widely known, and the new performance indicator returns. The value of both should increase in the future. The profiles have recently been reorganised to compare authorities directly with their most similar partners, while indicators now allow year-on-year comparisons.

38. In the 40 authorities from which audit returns on this subject were made, members frequently did not have access to Commission publications or external auditor reports (Exhibit 7, overleaf). Authorities should ensure that members have access to these and to other comparative reports - for example Local Government Management Board surveys on pay and gradings - when looking at pay policy.

39. Benchmark information is empowering for authorities in general and for members in particular. While the propagation and circulation of such information is commonplace in many councils, a significant minority do not have the appetite or the means to take
Case Study 1
Organising a 'process benchmarking' club

For eight years, the London Borough of Tower Hamlets was run as a highly decentralised authority. A change in political control led to a decision to run many services in a more corporate manner. The new chief executive recognised that there was only limited in-house experience of running services effectively on a borough-wide basis. The authority decided to establish a temporary benchmarking team to work on a project basis until at least March 1997.

Directors selected four key areas where they would most welcome advice and ideas. The list was then circulated to other London boroughs which were invited to participate; 22 have agreed to join at least one of the proposed study groups or 'clubs'. In all, 28 areas were selected for scrutiny, starting with key finance issues such as council tax collection and housing benefit application processing. This programme includes some national topics (aids and adaptations, education statementing) and some areas of particular local interest (for example, street markets).

'Clubs' of between four and eleven interested boroughs were chosen for each indicator. Benchmarking staff met the relevant service managers in Tower Hamlets and 'mapped' the current process. Then they selected a partner from within the club, and mapped their process. The 'best' ideas from the comparative process maps will be put together and circulated to all club members, who will discuss them and add their own 'best' suggestions to parts of the process.

Each partner can report back as they wish, but the results of the mapping will be shared with all participating authorities. Tower Hamlets hopes to monitor improvements via its own internal performance indicator monitoring system.

Case Study 2
Comparisons across sectors

Easington District Council has joined a benchmarking and good practice club facilitated by Newcastle Business School. The group includes both the private and public sectors; Easington is currently the only full local authority member. As a result, the club rarely compares specific services directly. Instead, members join common interest groups to look at common processes. Easington has joined those looking at managing customer complaints, measuring customer satisfaction, preventive maintenance and employee involvement. It has found clear parallels between council and private concerns - for example, some firms who deal directly with a large number of customers from the general public recognise close parallels with council front-line services.

The authority has found the groups stimulating and helpful; staff, initially unsure of their value, have become more enthusiastic after attending. The 'common interest' approach is less directly threatening to managers, and offers an opportunity for lateral thinking and potentially radical ideas for improvement. However, membership requires enthusiasm, time and commitment at a suitably senior level to ensure results.
advantage of the availability of regular data to assess performance. Without such systems it is easy for major issues such as paybill, organisation and staff mix to elude effective scrutiny.

Paybill management

40. The Commission’s study of people, pay and performance emphasised three key areas of paybill management that require attention from authorities:

- **Clear and consistent internal guidelines when determining the level for different jobs:** this usually involves systematic job sizing and frequently includes job evaluation. 'Job sizing' involves measuring the tasks and skills that make up a job against an agreed scale and giving every job a total 'score' which can then be converted into an appropriate grade.

- **Good management of pay progression:** especially to prevent unplanned pay drift. Authorities need to be aware of the cumulative effect of automatic increments and other benefits on their annual paybill. Unless these are monitored and managed the result is an increase in paybill which creates additional financial pressure on services.

- **A policy for determining pay rates:** this includes good market tracking, monitoring of internal recruitment and retention experiences, an understanding of pay and non-pay benefits, and reviewable market supplements.

41. It is very difficult for individual councils to resist significant labour market trends, such as the competitive increases in top salaries, especially as some market tracking is an important part of the recruitment and retention of good staff. Nevertheless, some councils have been noticeably more effective than their neighbours at managing such aspects of their paybill.
42. Audits showed that many authorities lack a clear pay policy. The issue was looked at in over 140 authorities. The main concerns, which led to appropriate recommendations for improvement, were:

- no systems of job sizing;
- poor monitoring of job and salary markets, with recruitment and retention rates not monitored; and
- poor monitoring or control of grade drift.

**Clear and consistent internal guidelines for job sizing**

43. Auditors used a job-matching system (a simplified version of one devised by Hay Management Consultants) to look at the consistency of grading and salary within each council, regardless of whether the authority had an official job evaluation system. Against this benchmark some councils performed better than others by maintaining a consistent pay structure and preventing 'drift' (Exhibit 8). Inconsistency leads to appeals and expense.

44. Job evaluation is a sophisticated form of job matching. A number of authorities follow either one of the common commercial systems or their own customised in-house system to try to ensure that they grade jobs appropriately and pay similar amounts for similar jobs. However, validating jobs is a complex activity which requires specialist training and the maintenance of consistent benchmarks within an organisation. Having a job evaluation system will not

---

**Exhibit 8**

**General results of the job matching exercise**

Some councils proved more effective than others in maintaining a consistent pay structure and in preventing 'drift'.

Note: Consistency is given a value between 0 and 1, based on a linear regression. If all pay decisions were totally consistent, the 'value' on they axis would be 1. A full explanation is available in the management handbook.

*Source: Audit returns.*
guarantee consistency in pay levels unless it is applied uniformly and continuously. Consistent application needs strong central controls and an ongoing investment in training for the managers who are involved.

45. The audit showed that, even where jobs were all evaluated initially and most jobs were consistently sized, outliers might be found. Four common problems were identified:

♦ **posts to which the authority had at some time had difficulty recruiting:** making special market supplements necessary. In some cases, such supplements had been incorporated into the basic grade, even though there was no longer a recruitment problem;

♦ **posts regraded on appeal:** where appeals were heard by individuals who were not trained in the evaluation system;

♦ **devolved grading decisions:** authorities are increasingly devolving grading decisions to individual departments and sections, or to line managers. Audits found evidence that this could lead to inconsistent decisions; and

♦ **long pay scales:** where pay is dependent on length of service as well as job size and there are no specific conditions that must be met before progression is allowed.

46. A job evaluation system requires a corporate approach to ensure that the evaluations are carried out correctly and equitably. A good example of a system which balances central control with local involvement and offers a consistent approach to appeals is that of Hereford and Worcester County Council (Case Study 3).

Hereford and Worcester County Council has a clearly defined pay policy for senior officers. There is no comparable policy framework for the lower graded APT&C staff who are the majority of their non-manual workforce. Nevertheless, the Council does have effective control over the grading of jobs and allocation to particular points on the national pay scales. The job-matching study, carried out as part of the audit in Hereford and Worcester, showed that the Council's pay and grading structure did have an internal consistency.

The Council achieves this consistency through detailed guidelines on how jobs should be graded. Before 1994 grading decisions were approved by members. Since then these decisions, which are mainly operational, have been delegated to officers. Grading panels in each department, comprising senior officers, consider any new grading proposals. These are then discussed by a corporate grading panel. If the two panels cannot agree, appeals can be passed to the chief executive who makes a final decision. Changes are reported to members, for information only.

As pay represents some two thirds of costs, there is an obvious incentive for departmental managers to ensure that affordability is taken into account before they submit a regrading application for corporate approval.
The Local Audit Findings

'Legislation and demographic changes bring a constantly changing workload, and structures need to change accordingly.'

**Good management of pay progression**

47. Some long scales or 'career grades' have bars which prevent progression beyond a certain point until specific conditions are met. In the past, these conditions have often been qualifications. Some authorities are now introducing a specific level of competence which must be reached before further progression can take place; some also insist that there must also be an appropriate vacancy available, to prevent low turnover from allowing all staff to progress up the incrementalscale.

**Determining pay rates**

48. It is easy for pay levels to drift over time. Audits found examples of supplements introduced at a time of shortage, or as part of a performance-related pay scheme, becoming incorporated into basic pay. Elsewhere, the original link to local market pay rates had been lost. Often authorities had benchmarked to the local market in the late '80s when they experienced recruitment problems. Market pressures have subsequently receded, making the authorities' pay look generous. While authorities need not follow the market entirely, especially in job areas where local authorities are themselves the principal market, they need to know what the relevant market rate(s) are and should have a broad idea of where they wish to position themselves. Not all authorities do this; a recent CBI survey showed that only half of the public sector bodies they surveyed had a market related pay policy, compared to 62 per cent of their total sample (Ref. 11).

49. The introduction of a new evaluation system and a review of pay rates is time consuming and complex, but can be an important part of a fundamental review of authority performance. Local government reorganisation has encouraged some councils to address all the issues covered in this bulletin - paybill, job evaluation, organisational review and performance management. The experience of Bristol (Case Study 4, overleaf) shows how its decisions on job evaluation and pay rates were linked to a concurrent organisational review.

50. Pegging paybill, grades and progression at defensible levels is only one ingredient of success. To achieve savings and improve efficiency, a detailed review of the activities of the council and how it carries them out is usually needed. Such organisational reviews work best when linked to performance management, a term which covers improvements both to the performance of an organisation and to the contribution of individual members of staff within it (Ref. 1). Staff need to be organised, managed and led well if they are to contribute most effectively. The following sections describe auditors' findings on these areas.

**Organisation review**

51. There is a wide variety of organisation structures, and no single 'correct' model. The impact of legislation and demographic changes brings a constantly changing workload, and structures need to change accordingly (Ref. 9). Three-particular aspects of organisations were reviewed during the audits: the number of tiers in a service, the percentage of staff with line management responsibilities and the grade mix. Substantial differences were uncovered. While there is no perfect structure, each category of authority includes some that manage with fewer
Case Study 4
Bringing it all together: Bristol unitary authority

Job evaluation, paybill and organisation review
The new unitary was faced with a budget requiring substantial savings. There was a need to merge two very different pay systems, with inevitable winners and losers. Members decided to base the new scheme on the existing proprietary job evaluation system used by the county, but to review pay policy using external comparators.

Broader and more diverse responsibilities, together with a commitment to future decentralisation, meant substantial organisational change. The authority decided to review all services and apply a clear set of organisational principles. These included having no more than four management tiers, limiting spans of control to seven and having no deputies. Chief officers was given cash limits for each service.

Most directorates now have only four tiers in line with the organisational principles, although flexibility was needed for service-specific issues (such as management of 24 hour institutions in social services).

4,600 posts needed to be re-evaluated - more than one-quarter of all jobs. This proved to be more time consuming than expected. Local government reorganisation can result in staff transferring to posts which pay less; in Bristol external comparators meant that the recalculated payline was lower than before. This increased the numbers of staff likely to need pay protection. (Under national agreements on staff transfers many will continue to receive their previous higher rate of pay for three years.) However, as many posts changed, many individuals ended up in different jobs with different pay.

Other new unitary authorities in the area made different decisions. As a result, a new local authority market has been set up. For a number of posts there is now higher pay for similar responsibilities in neighbouring authorities. So far this has not been a major recruitment problem for the city, although it has affected morale; first, the number of posts in the new unitary was considerably less than those for the old county and city combined; and secondly, Bristol believes that the opportunities in an historic city are attractive to some staff.

Performance review
The performance review system of the district council was retained. This involves annual action plans associated with the cascading of objectives to managers, teams and staff via personal appraisals. The new authority revised its corporate statement of aims on which the plans are based. New services added their own particular priorities. The aims of the new education department are an example (Ref. 9). The action planning system has immediately tied new units and directorates into the corporate aims of the authority and focused energy on identifying key priorities. Bristol plans to move to three-year planning and greater integration of action plans and budgets.

Communication
The scale of the work was significant, and the increased number of staff on protected pay has not helped staff morale at a time of significant change and uncertainty. The new corporate management team was aware of the need to communicate with staff and the public about the changes, especially as the difficult financial situation meant a significant increase in council tax coinciding with some service reductions. Resources were put into publicity and both the council and individual directorates have carried out induction sessions and open debates with staff to help integrate and involve all staff in the new authority.

Joint working between elected members and officers
A key feature in Bristol was clarity between members and senior officers about the principles to be used in setting up the new authority and the responsibilities of the two groups. Thus members set policy - for example, selecting the job evaluation scheme, agreeing the organisational principles - but left implementation to officers. Members have confidence in the action planning system as a framework for monitoring progress.
Exhibit 9
Variations in tiers of management in finance services

While there is no perfect structure, in each category of authority some require fewer tiers of management than others. (Exhibit 9). Auditors recommended reductions in 46 cases. Those departments with more than the median level of six should review the necessity for all their tiers.

52. The most common concerns of auditors in this area were:

♦ unnecessary layers of management;

♦ lack of review of the current occupational mix or devolved responsibilities;

(for example, the balance between 'professional' and 'support' staff might have remained the same despite significant changes in the work of the department and/or new opportunities for using IT to carry out certain tasks);

♦ lack of team working across unit/professional boundaries; and

♦ poor matching of staffing levels to workload.

Such problems can all increase costs, frustrate staff and undermine morale.

53. Reducing tiers of management - 'delayering' - does not always bring paybill savings. It may increase responsibilities for the remaining staff, entitling them to additional incremental points and hence higher average pay. Moreover, sometimes 're-layering' at the top is mixed with 'de-layering' lower down, when a council adds a strategic level of managers on top of its operational management. More detailed guidance on organisational review, including delayering, is provided in the Commission management paper Form Follows Function (Ref. 12).

54. A top-heavy grading mix raises questions as to how effectively staff levels are being matched to workload. For example, some councils employ double the number of library staff graded at or
Authorities with a particularly high or low percentage of higher graded jobs may benefit from reviewing their staff and workload mix (Exhibit 10).

55. An example of a limited organisational review within a clear framework is that undertaken by Braintree District Council. Braintree has completed a review of its top management structure (Case Study 5) as the first stage of a fuller service review. Authorities undergoing local government reorganisation are all having to review their organisations; the Bristol case study cited earlier provides an example of a review based firmly on flatter management principles (Case Study 4).

56. Getting the right structure is an important ingredient in successful management. But a council also needs effective processes to ensure that its staff and structures work well. The final sections cover some of these issues, as highlighted by the local audits.

**Specifying and communicating aims and objectives**

57. Controlling the paybill and changing management structures will not automatically improve front-line services. Achieving higher performance requires action to improve the performance of the organisation and the contribution of individual members of staff. *Calling the Tune* (Ref. 1) recommended a series of measures broadly covered by the term 'performance management.' Councils need to specify and communicate aims and objectives at all levels and evaluate their achievements through performance review.
Braintree Council decided to review its top management structure in 1994. At that time there were nine members of the senior management team. The chief executive and members agreed a set of principles. The new structure should:

♦ be fit for purpose;
♦ meet future needs;
♦ have the ability to redistribute resources;
♦ work within the financial constraints which Braintree faces;
♦ have an integrated approach to service delivery; and
♦ offer an opportunity for all staff who wished to stay.

The review was ongoing when District Audit looked at corporate management arrangements as part of their audit on people, pay and performance. Recommendations from the audit were accepted. These included:

♦ reducing the number of directors;
♦ adopting a consistent management structure for heads of service posts;
♦ streamlining the first and second tiers to reduce the number of people concerned with strategy; and
♦ reviewing the interface between departments to reduce overlap and duplication.

The Council agreed a streamlined structure with only three corporate directors who, with the chief executive, would form the strategic corporate management team. Heads of service are now second tier.

The review has not been conducted in isolation. An outline three-year financial strategy has also been agreed and further reviews are occurring of specific service areas, financial strategy and the way that the Council makes decisions. Members are fully involved.

The result is that the Council now has a more streamlined top management structure with departments organised in a way which fits its corporate strategy. Initially, the review was also expected to offer recurrent revenue savings of £310,000 from 1997/98. However, a subsequent shortfall in the pension fund run by the county council means that Braintree will now have to pay significantly increased contributions over the next three years to cover the long-term costs of the early retirement packages that resulted from the review. Savings will occur only over a longer time scale.

*Early retirement and redundancy issues will be covered in detail in a forthcoming Commission study.*

---

**Determining aims**

58. This was a popular area of study, examined in over 148 authorities.

Auditors’ main concerns were that:

♦ aims and objectives were poorly defined, at both corporate and departmental levels;
♦ corporate objectives were not always ‘cascaded down’ to unit and individual level; and

59. Authorities with clear aims frequently express them via a combination of mission statements and annual or three-year business and/or service plans. The statements and plans include identified and measurable performance indicators to allow performance review. The best examples can help both staff and members understand the concepts of performance management.

♦ there was poor linkage between resource allocation and objectives.
The Service Plan sets out what we are aiming for and how we intend to do it... it is a working document relevant to every day of the year... (performance indicators) are intended to help us assess how well the services are being carried out to allow comparisons to be made year to year....

For this department, the compilation of the Service Plan is an important step and forces us to address certain issues, particularly performance and cost. Our aim is to retain services in-house wherever possible - but we need to beat the competition to do this!

(Extracts from Rugby Borough Council’s Treasurer’s Service Plan)

**Communicating aims**

60. People, not policies, provide services. Good performance requires people with the right skills, who understand their responsibilities and are well-motivated and committed. The audit used a staff' attitude survey and a self-assessment questionnaire (Ref. 2) to help authorities find out what their staff thought and understood about their jobs and their authorities. There was a high correlation between understanding, commitment and job satisfaction (Exhibit 11). If people are clear about what they can and should be doing, and know how their job contributes to the larger picture, they tend to be more committed: the result is higher productivity and better quality services.

61. Where scores were poor, a common concern was that performance management ideas, if they existed at all, were being applied only at the top of the organisation. For example, many personal development/appraisal schemes covered only senior managers. Suggestions for introducing or extending such systems to all staff were made in 166 audits.
The perceptions of members, chief officers and middle managers often proved different

62. Other main concerns centred around poor communications; recommendations for improvement were made in 90 authorities. Use of tools such as staff attitude surveys can help an authority gauge its success at communication, and can help it to set priorities for improvement. Many authorities intend to re-run the survey in the future as a continuing test of their effectiveness. Surveys can be followed with additional development - examples include authorities which held awaydays for senior management teams, ran focus groups of staff and tried to identify good practice and learn from the relative differences in results between departments. A good example of such positive developments is that taken by Crawley Borough Council (Case Study 6).

The role of elected members

63. Elected members have an important role in performance management systems. For members, a formal policy planning process helps them to set priorities and monitor progress effectively. For officers it ensures that policy decisions are addressed within an overall planning framework and that resources are considered at the same time. To be effective a system needs to involve both groups.

64. The audit provided a self-assessment tool for councils to check the perceptions of three groups about aspects of the council’s performance: members, chief officers and middle managers. The perceptions of members, chief officers and middle managers often proved different, which cannot help effective planning for change (Exhibit 12, overleaf). In some authorities the differences were significant. Members were the most positive about their authority’s performance in most areas surveyed, with chief officers the next most positive and middle managers the least positive. Authorities which adapted the tool to compare different departments or involve additional employee groups, such as trade union representatives, found a similar pattern. The closer a person was to the point of service delivery, the lower their opinion of most aspects of the authority's performance management system.

Case Study 6
Learning from staff attitude surveys

In Crawley Borough Council, the staff attitude survey covered all departments and results were analysed on a departmental as well as a borough wide basis. Each department then discussed their results. Union representatives were included in these discussions. The results were fed back to the senior management team.

A joint officer/trade union working group was set up to look at key areas. Recognising that it was not possible to address all areas of concern simultaneously, it prioritised certain areas, starting with communications. Suggestions included:

♦ a more structured approach to team briefing;
♦ written core briefs;
♦ more comprehensive written management briefing; and
♦ tailored staff information at a departmental level.

The policy unit is now looking at options for improvements here and in other key areas. The borough intends to re-run a similar survey next year to monitor changes.
The perceptions of members, chief officers and middle managers often proved different, which cannot help effective joint planning.

The extent to which opinions differed between different groups varied between authorities. Where groups within one authority have significantly different perceptions about the effectiveness of existing systems it suggests that local performance management systems may need review.

Feedback loops are vital to effective systems, even if some of the feedback proves painful for the council’s leadership. Authorities need to involve members in their performance management plans, at both the objective-setting and the performance review stages. This is an important element of the plans in both Plymouth and Barking & Dagenham, which are both introducing new systems (Case Studies 7 & 8, overleaf).

Performance review

Councils need to know whether or not their policies are working. Such an assessment requires some kind of formal system of performance review which tracks the performance of departments and units against agreed goals. The link between performance management and performance review is shown diagrammatically in Plymouth City Council’s Implementing Policy Decisions (Box B). The effectiveness of current policies should inform future planning. It is also important to review how effectively individual staff perform. This means providing suitable training or other action to improve individual performance. Evaluation of the contribution of individuals is a key element of personal appraisal.
Box B
Implementing policy decisions - Plymouth City Council

The effectiveness of current policies should influence future planning.

Source: Audit Commission based on Plymouth City Council
68. Auditors made recommendations for improving performance review in 178 authorities. Their concerns included:

- **no comprehensive, authority-wide approach**;
- **groups of staff - or members - left out of the process**; and
- **no remedial action when systems identified poor performance**.

69. At the level of the individual employee, a personal appraisal can identify development and training needs that may enhance performance. Most appraisal systems link in to training plans. Providing staff with the skills to adapt to new challenges is an essential part of organisational change. It is one of the key planks of the Investors in People initiative. Yet the spread of appraisal systems is still patchy, and existing systems are sometimes allowed to lapse (Exhibit 13). In authorities where the staff attitude survey was carried out and appraisal systems were in place, one in five appraisals, on average, had not taken place in the preceding 12 months. However, in the better authorities, staff confirmed 90 to 100 per cent coverage.

70. The most common concerns of auditors about existing personal appraisal schemes were:

- **poor monitoring and evaluation**;
- **too few staff covered by the scheme**; and
- **inadequate attention to staff development**.

Some of these concerns have been followed up by auditors looking at authorities’ approaches to training as part of local audits in 1996.

71. The strength of a working performance review system can be seen in the new Bristol unitary authority (Case Study 4). The action planning system used previously at Bristol City Council was adopted with no immediate changes: new middle managers were involved in policy development and in monitoring progress during the first year.
Plymouth City Council underwent a major restructuring in 1993/94, reorganising ten departments into four directorates, with the objective of improving service delivery and effectiveness. The Council subsequently embarked on a programme to introduce some key elements of performance management.

Objectives at both corporate and departmental level will be evaluated to ensure that principles expressed at the corporate level are carried through into service plans, and translated into action. The new approach has been agreed after extensive dialogue within the Council. In addition, a wide range of performance indicators is being devised, in conjunction with members, to monitor performance at both the corporate and service levels.

**Developing a framework for performance management**

The agreed framework starts with council-level decisions on policy and strategy. These decisions form the basis for the development of service plans by departments, which set out departmental action required to deliver the strategy. Workplans at team level will be based on these departmental service plans. Evaluation will be against a comprehensive series of performance indicators, specific to each function and task. Objectives and strategy should then be re-considered in the light of feedback received. Different departments are at different stages in developing the full framework.

**Involvement of members**

A series of seminars for elected members has been organised to:

♦ explain the proposed performance management system;
♦ encourage active involvement in the setting of objectives and in performance review; and
♦ show members how to use the mechanism to implement their political manifesto.

The Policy and Performance Review Sub-committee provides a link between members and officers. Service committees will provide a similar link for departments. Particular focus will be given to involving members in the review cycle, in setting performance criteria and in agreeing the indicators by which success is measured. Future plans include the development of quality of service measures.

**Changing the management culture**

Plymouth recognises that introducing performance management involves a considerable re-appraisal of its existing management style. The intention is to introduce a more open culture, to encourage feedback and to establish an environment in which criticism can be made positively, and not taken negatively. Four key competencies for managers have been identified and a series of relevant seminars is being held during the summer of 1996.

The development of staff at all levels and the integration of team plans with individuals' jobs are being spearheaded by the introduction of a personal appraisal scheme for all APT&C staff, and is underpinned by the Council's plan to achieve the Investors in People accreditation within two years.
Case Study 8  
Introducing performance management

Among London boroughs, Barking & Dagenham has one of the lowest white-collar paybills. However, the authority wants to improve the quality of the services it offers by reviewing the way that services are managed and delivered.

When the audit of People, Pay and Performance started, members had just agreed their core values and the associated key objectives of the authority, and central personnel had drafted human resources development and management plans. The audit findings helped the authority to identify its current situation, and hence agree the critical next steps. The audit, which included a staff attitude survey, found that:

♦ the authority tended to focus on the management of 'inputs' - service costs - and that there was a need to develop links between the costs and quality of services;
♦ the authority had developed a 'black hole' in communication between the top and the bottom of the organisation, and communication tended to rely on memos;
♦ the management and development of staff was not considered to be a priority by many managers;
♦ performance review throughout the organisation was too focused on financial targets; and
♦ staff morale was found to be low for a number of reasons, but particularly because it was felt that good performance was not recognised.

Following the audit, the authority reacted to these concerns by:
1. setting up six officer/member working groups to look at and develop important areas:
   ♦ enhancing local accountability;
   ♦ future planning against resources;
   ♦ quality services;
   ♦ communications;
   ♦ human resource management and development; and
   ♦ equalities.
2. developing service plans with built in performance measures that related directly to both the core values and key objective;
3. communicating the results of the audit and how the authority planned to address the issues identified by it;
4. setting up an advisory group of line-manager representatives from different departments to prepare an action plan for consultation. This will outline:
   ♦ central and departmental responsibilities for implementing the human resource strategy;
   ♦ a method for local action planning to ensure that the strategy reaches all corners of the authority;
   ♦ development, training and other support resource required to implement the strategy; and
   ♦ proposals for a performance-based plan which will help the strategy become part of the council's management style.

All chief officers support the agreed approach. Members have also been involved, and receive regular progress reports on the above initiatives.

Progress on these initiatives will be monitored by using the performance measures being developed as part of service planning, and by re-running the staff attitude survey within the next two years.
Putting It All Together: Implementing Performance Management

72. Non-manual staff numbers outside certain service areas are now falling. But the trends towards higher earnings and more highly graded staff identified in Paying the Piper have continued. The total non-manual paybill is still rising much faster than grant settlements. Managing the paybill effectively, by a locally agreed combination of controlling numbers, grades and salaries, remains an important objective.

73. Authorities have to work within the context of government fiscal policy; the current financial constraints are set to continue.

The Government’s continuing objective is to reduce public spending as a share of national income over time...A tight regime on pay will continue to play an important part in overall expenditure control...any increases in pay should be at least offset by improvements in efficiency or productivity.

Chancellor’s written evidence to the Pay Review Bodies, 17 September 1996

These constraints make it ever more important to get the best out of a council’s remaining staff. Staff are both an authority’s biggest cost and its principal resource. Reduced revenue support grant settlements mean that authorities have cut staff, and may have to reduce numbers still further. The critical issue is for authorities to find ways to protect services when they cut staff numbers. To do this they need to develop their staff - and maintain their motivation and commitment.

74. Though action on some of these issues may be unpopular and often painful, inadequate information and poor control of the paybill can erode the capacity of local government to achieve its purpose of serving the public. The Commission’s reports and parallel audits have illuminated areas of serious management concern. The conclusions of those audits and the suggestions for action in the reports and handbook remain relevant. Similarly, the summary of recommended actions for members and managers remains relevant.

75. Local audits confirm that many councils recognise the importance of these matters and are working hard to improve their performance. Councils committed to change are using benchmarking, organisation review and good performance management systems as tools for supporting effective change. This requires long-term commitment; the processes advocated in this bulletin and the Commission’s original reports will not always deliver immediate improvements or savings. However, there is no room for complacency; as the audits show, there are opportunities for considerably more to be done.
Actions for Members

Members’ role in improving the management of people, pay and performance through their management of their most senior staff

1. Set **aims and objectives** for the council and each service, linked to available resources and defining measurable outputs.

2. Align **key resource areas** of human resources, property, finance and information systems to support the objectives.

3. Specify **regular reports** on progress against the aims and objectives.

4. Set **targets for the chief executive and chief officers**, including responsibility for cascading the aims and objectives to all staff.

5. Decide how to set and report on **top salaries**, including working with neighbours to track the pay market.

6. Adopt **action programmes** to help achieve the aims and objectives.

7. Monitor progress through regular reports on the action programmes, covering
   - communications, inside and outside the council, including the need for joint discussion and agreement as appropriate;
   - devolution, specifying responsibilities at each level;
   - productivity, including choice of benchmarks, reports on performance, delayering and workforce flexibility
   - rational pay management, covering job sizing, market-tracking, pay progression, and key indicators of staff satisfaction;
   - information and training needs to support the action programmes, including introduction of personal appraisal for all staff.

8. Step back from detailed decisions on staff numbers, pay grades and individual posts below chief officer level.
Actions For Management

Improving paybill management

1. Develop integrated policies: bring people, pay and performance management issues together.

2. Balance the need for control and flexibility: identify the appropriate roles and responsibilities of members, senior officers, front-line managers and staff.


4. Improve management information and control processes to monitor and support decision making at each level of the authority.

5. Work with staff to introduce change by agreement so far as possible.

Improving people management

1. Improve productivity
   - Use systematic internal and external benchmarking to target productivity improvements.
   - Develop objective setting and performance review to direct continuous improvement in efficiency and effectiveness.
   - Use these measures constructively to foster improvement; involve staff to build ownership and commitment.
   - Outsource services when this is more efficient and quality can be maintained or improved.
   - Develop policies that support workforce flexibility at the unit level.
   - Do not allow these measures to be obstructed by inadequate information systems or ill-developed relationships between central and service departments.
2 Flatten structures and empower staff
   ♦ Match staff carefully with workload, maximising the return on the skills they possess and enriching job content.
   ♦ Flatten the organisation structure and devolve responsibility to line managers and front-line staff.
   ♦ Support devolved management with information systems, training and internal communication measures.

Improving pay management

1 Managing with national agreements
   ♦ Encourage the national employers' organisation to continue its efforts to increase local flexibility.
   ♦ Better exploit the services and opportunities for flexibility already provided within the national framework.

2 Determining the rate for the job
   ♦ Use an objective system which includes job sizing and market tracking to determine staff pay levels.
   ♦ Find the right balance between control and flexibility and between evaluating the job and the person.
   ♦ Focus market tracking on relevant occupational groups and geographical areas.
   ♦ When responding to market pressures, make use of market supplements which are reviewed each year and which can be withdrawn when necessary.
   ♦ Do not simply assume that there is just one market; take into account the recruitment and retention position of different staff groups before setting the pay level for new appointments.
   ♦ Resist the tendency for pay leap-frogging that tracking the market can generate.
   ♦ Be wary of increasing the paybill through pay reviews.
   ♦ Control the cost, complexity and maintenance of pay systems.
   ♦ Develop appropriate non-monetary rewards such as a menu of choice between pensions, cars and other benefits to support staff retention.
   ♦ Adopt explicit policies and procedures for dealing with top salaries.
Managing pay progression

♦ Structure pay grades to improve flexibility and support delayering.
♦ In consultation with staff, move away from automatic payment of increments, particularly where grades have been excluded.
♦ Do not allow pay grades to form the basis of management structures.
♦ Develop policies to manage pay progression in a controlled but flexible manner.
♦ Ensure that these policies should reasonably reflect staff development, performance and equality issues.
♦ Ensure that measures are understood by staff and applied in a consistent, transparent, fair and objective manner.
References


Appendix

The data given here is based on that collected during local audits and replaces quartiles given in the previously published management handbook (Ref. 2) which were based on a smaller sample of authorities. The definitions given in the handbook remain unchanged.

<table>
<thead>
<tr>
<th></th>
<th>Total Paybill as a Percentage of NIE plus HRA Rental Income</th>
<th>Average Paybill per Full Time Equivalent</th>
<th>Finance Paybill per £m of NIE plus HRA Rental Income</th>
<th>Finance Staff per £m of NIE plus HRA Rental Income</th>
<th>Percentage of Finance Staff at £50 or above</th>
<th>HRA Paybill per Dwelling</th>
<th>HRA Staff per Thousand Dwellings</th>
<th>Percentage of HRA Staff at £50 and above</th>
<th>Library Paybill per Weighted Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>County councils</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Quartile</td>
<td>20</td>
<td>14780</td>
<td>7.3</td>
<td>0.37</td>
<td>31.2</td>
<td>0.49</td>
<td>0.55</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>21</td>
<td>17160</td>
<td>7.8</td>
<td>0.42</td>
<td>34.9</td>
<td>0.55</td>
<td>0.55</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Upper Quartile</td>
<td>21.9</td>
<td>18560</td>
<td>8.6</td>
<td>0.49</td>
<td>39.9</td>
<td>0.64</td>
<td>0.64</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>20.8</td>
<td>17240</td>
<td>8.2</td>
<td>0.47</td>
<td>34.9</td>
<td>0.56</td>
<td>0.56</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Total authorities</td>
<td>27</td>
<td>27</td>
<td>25</td>
<td>26</td>
<td>26</td>
<td>0.56</td>
<td>0.56</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td><strong>London boroughs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Quartile</td>
<td>24.7</td>
<td>19430</td>
<td>23.1</td>
<td>1</td>
<td>33.5</td>
<td>13.9</td>
<td>34</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>27.2</td>
<td>20300</td>
<td>25.6</td>
<td>1.2</td>
<td>41.6</td>
<td>337</td>
<td>48.7</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Upper Quartile</td>
<td>34.8</td>
<td>21790</td>
<td>30.9</td>
<td>1.4</td>
<td>46.2</td>
<td>379</td>
<td>52.6</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>30.3</td>
<td>20830</td>
<td>26.5</td>
<td>1.2</td>
<td>40.1</td>
<td>326</td>
<td>15.7</td>
<td>44</td>
<td>1.1</td>
</tr>
<tr>
<td>Total authorities</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>21</td>
<td>22</td>
<td>19</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td><strong>Metropolitan boroughs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Quartile</td>
<td>20.5</td>
<td>15110</td>
<td>16.7</td>
<td>1.1</td>
<td>22.7</td>
<td>123</td>
<td>7.9</td>
<td>12.7</td>
<td>0.57</td>
</tr>
<tr>
<td>Median</td>
<td>24.8</td>
<td>16330</td>
<td>19</td>
<td>1.2</td>
<td>24.9</td>
<td>157</td>
<td>9.7</td>
<td>19.1</td>
<td>0.66</td>
</tr>
<tr>
<td>Upper Quartile</td>
<td>26.6</td>
<td>17280</td>
<td>21.8</td>
<td>1.3</td>
<td>27.1</td>
<td>188</td>
<td>11.2</td>
<td>21.1</td>
<td>0.80</td>
</tr>
<tr>
<td>Mean</td>
<td>24.2</td>
<td>16060</td>
<td>19.5</td>
<td>1.2</td>
<td>25.3</td>
<td>150</td>
<td>9.4</td>
<td>20</td>
<td>0.73</td>
</tr>
<tr>
<td>Total authorities</td>
<td>28</td>
<td>28</td>
<td>29</td>
<td>29</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td><strong>Shire districts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Quartile</td>
<td>31.5</td>
<td>16990</td>
<td>59.1</td>
<td>3.4</td>
<td>20.9</td>
<td>111</td>
<td>6.5</td>
<td>18.6</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>35.3</td>
<td>18300</td>
<td>71.1</td>
<td>4.1</td>
<td>25.1</td>
<td>137</td>
<td>6.3</td>
<td>24.1</td>
<td></td>
</tr>
<tr>
<td>Upper Quartile</td>
<td>41.7</td>
<td>19420</td>
<td>85.1</td>
<td>5.1</td>
<td>29.9</td>
<td>176</td>
<td>10</td>
<td>33.8</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>37.1</td>
<td>18920</td>
<td>76.1</td>
<td>4.5</td>
<td>26.3</td>
<td>145</td>
<td>8.6</td>
<td>26.9</td>
<td></td>
</tr>
<tr>
<td>Total authorities</td>
<td>248</td>
<td>257</td>
<td>254</td>
<td>255</td>
<td>254</td>
<td>222</td>
<td>220</td>
<td>217</td>
<td></td>
</tr>
</tbody>
</table>
## The Melody Lingers On...

*A review of the audits of People, Pay and Performance*

<table>
<thead>
<tr>
<th></th>
<th>Library Staff per million weighted</th>
<th>Percentage of Library staff at 50 and above</th>
<th>Sickness Absence days per Year</th>
<th>Non-Manual Staff Turnover</th>
<th>White Collar Staff per Thousand Population</th>
<th>Percentage of White Collar Staff on or above 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Quartile</strong></td>
<td>33.9</td>
<td>8.7</td>
<td>6.4</td>
<td>9</td>
<td>7.2</td>
<td>24.8</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>38.6</td>
<td>12.4</td>
<td>8.1</td>
<td>10</td>
<td>7.6</td>
<td>28.1</td>
</tr>
<tr>
<td><strong>Upper Quartile</strong></td>
<td>42.2</td>
<td>16.3</td>
<td>9.4</td>
<td>11.7</td>
<td>8.4</td>
<td>30.4</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>39.3</td>
<td>13.6</td>
<td>7.9</td>
<td>10.9</td>
<td>7.7</td>
<td>27.8</td>
</tr>
<tr>
<td><strong>Number of authorities</strong></td>
<td>25</td>
<td>27</td>
<td>22</td>
<td>21</td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

### London boroughs

<table>
<thead>
<tr>
<th></th>
<th>Library Staff per million weighted</th>
<th>Percentage of Library staff at 50 and above</th>
<th>Sickness Absence days per Year</th>
<th>Non-Manual Staff Turnover</th>
<th>White Collar Staff per Thousand Population</th>
<th>Percentage of White Collar Staff on or above 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Quartile</strong></td>
<td>43</td>
<td>18.4</td>
<td>7.7</td>
<td>8.35</td>
<td>11.9</td>
<td>32.2</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>57.2</td>
<td>23.2</td>
<td>9.3</td>
<td>11.4</td>
<td>15.6</td>
<td>38.7</td>
</tr>
<tr>
<td><strong>Upper Quartile</strong></td>
<td>75.8</td>
<td>26.3</td>
<td>11</td>
<td>12.8</td>
<td>20.6</td>
<td>44.7</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>64.2</td>
<td>23</td>
<td>9.5</td>
<td>10.6</td>
<td>18.4</td>
<td>39.7</td>
</tr>
<tr>
<td><strong>Number of authorities</strong></td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>18</td>
<td>23</td>
<td>21</td>
</tr>
</tbody>
</table>

### Metropolitan boroughs

<table>
<thead>
<tr>
<th></th>
<th>Library Staff per million weighted</th>
<th>Percentage of Library staff at 50 and above</th>
<th>Sickness Absence days per Year</th>
<th>Non-Manual Staff Turnover</th>
<th>White Collar Staff per Thousand Population</th>
<th>Percentage of White Collar Staff on or above 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Quartile</strong></td>
<td>40</td>
<td>7.8</td>
<td>8.9</td>
<td>5.6</td>
<td>11.2</td>
<td>27.7</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>48.9</td>
<td>9.9</td>
<td>10.2</td>
<td>7.9</td>
<td>13.4</td>
<td>29</td>
</tr>
<tr>
<td><strong>Upper Quartile</strong></td>
<td>58.7</td>
<td>13.2</td>
<td>11.6</td>
<td>9.7</td>
<td>14.7</td>
<td>31.1</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>52.6</td>
<td>10.8</td>
<td>10.1</td>
<td>7.7</td>
<td>13.6</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Number of authorities</strong></td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>27</td>
<td>26</td>
<td>29</td>
</tr>
</tbody>
</table>

### Shire districts

<table>
<thead>
<tr>
<th></th>
<th>Library Staff per million weighted</th>
<th>Percentage of Library staff at 50 and above</th>
<th>Sickness Absence days per Year</th>
<th>Non-Manual Staff Turnover</th>
<th>White Collar Staff per Thousand Population</th>
<th>Percentage of White Collar Staff on or above 50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Quartile</strong></td>
<td>5.5</td>
<td>5.9</td>
<td>3.5</td>
<td>4</td>
<td>4</td>
<td>29.5</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>33.2</td>
</tr>
<tr>
<td><strong>Upper Quartile</strong></td>
<td>8.7</td>
<td>10.5</td>
<td>4.8</td>
<td>4.8</td>
<td>4.8</td>
<td>37.4</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>7.1</td>
<td>8.4</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>35.7</td>
</tr>
<tr>
<td><strong>Number of authorities</strong></td>
<td>241</td>
<td>246</td>
<td>254</td>
<td>254</td>
<td>254</td>
<td>257</td>
</tr>
</tbody>
</table>