Sales Commission (SC) Reward Scheme

Background

Some of CDC's services that operate in a commercial environment are in a position to expand by competing more actively against private sector competitors for new business.

There is clear benefit to CDC to further incentivise the key post holders within the services where this applies to win new contracts by rewarding them additionally for this. A Sales Commission (SC) Reward scheme seeks to achieve this objective by incentivising this behaviour.

Summary

An SC scheme should only be used where the employee directly impacts the amount of income generated through sales in a competitive environment. Services where income is derived by default, or via regulatory activities for which there is no real competition for the service user, should not be considered for SC payments. There must be direct link between sales performance and income derived.

An SC payment should be based on achieving set financial performance targets against a baseline set for that service. The measure used for this could for example be either the annual surplus (profit) or the income produced from the contracts won and maintained by the service.

Consideration would need to be given to how SC should be payable when more than one post holder within the service concerned is responsible for gaining new business or ensuring contracts are renewed. This may for example require that additional pay under the scheme is paid proportionately with the basis of this decided by a more senior manager not directly benefiting from this.

SC pay schemes are discretionary and subject to annual review by SLT. They can then be amended, including the assessment criteria and thresholds for making payments, or be withdrawn altogether as appropriate. Variation to contract letters would be issued to participants in such a scheme reflecting the discretionary position of the scheme concerned.

In order to ensure that any scheme financially rewarding staff for new business won is robust the achievement of financial targets for those services / staff will be subject to annual scrutiny, either by Internal Audit or the Finance team, with a report on this submitted to SLT.

An example of a possible scheme is shown the appendix to illustrate how such a scheme could look.

Where an officer is responsible for multiple income streams, each of which meeting the criteria for SC payments, they may each be considered, or may be aggregated for the purpose of calculating the SC payment as determined by SLT.

No SC payment would be payable where the scheme placed the overall operating budget for the service into deficit, or where income in a financial year is less than the previous financial year when adjusted for inflation, and aggregated if appropriate.

SCR would only be paid following the end of the financial year and therefore should the post holder leave the Council's employment part way through the financial year he or she would not receive SCR. This may aid staff retention for high performing staff in receipt of payments.

Any new post holder joining the service part way through the year would be assessed at the end of the financial year on a pro rata basis in proportion to the number of months worked during the year.

SC payment would be earnable during a probationary period but this would only be paid following successful completion of this and not otherwise, even if this crossed the end of the financial year.

Since SC payments are entirely discretionary, they can be withheld, or suspended during the year should the employee's disciplinary record (including formal cautions for absence management) merit intervention. This will be determined on a case by case basis by the relevant service Director. The employee has a right of appeal to the Director of Corporate Services (DCS), or where the DCS is the relevant Director to the Chief Executive.

Appendix - example Sales Commission Scheme

For this example the SC reward could be payable based on the value of commercial contracts held by the service concerned. By linking the reward to the total value, rather than just new sales, ensures that the value of on-going contract retention is also recognised, rather than rewarding for new contacts won, irrespective of how many contracts are lost. The target could be set as the value of income received in the previous financial year + X%. In this circumstance X should at least equal the rate of inflation so that pure inflationary increases in price do not themselves generate a reward payment. SLT may also consider setting a threshold above X as a stretch target. A cap may also be appropriate.

Example terms for payment of SCR:

SCR would be payable after the end of each financial year and be based on the final end of year performance for the previous year. The resulting payment would usually be paid monthly with the salary during the following 12 months. For example, in 2020-21 SC payments would be calculate on the 2019-20 outturn position in comparison with the 2018-19 position. The resulting increase in income, adjusted for inflation, would generate an entitlement to SC payments to be made monthly during 2020-21.

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