

SALARY REVIEW APRIL 2017: CHIEF OFFICERS, DEPUTY AND ASSISTANT DIRECTORS AND HEADS OF SERVICE

Report of the Chief Executive and Director of Environment

Author: John Wood, Chief Executive and Director of Environment
(Tel: 01992 555200)

1. Purpose of report

- 1.1 The salaries of the Chief Officers, Deputy and Assistant Directors and Heads of Service are locally determined. The effective date for the review of these salaries is 1 April each year. This report makes proposals to the Employment Committee for the review for April 2017.

2. Summary

- 2.1 The Council's scheme of delegation provides that the Employment Committee:
- Determines the pay awards for the Chief Executive and Director of Environment and Chief Officers.
 - Recommends to the Chief Executive and Director of Environment the level of pay award for Deputy and Assistant Directors (grade PMA/B) and Heads of Service (grade PMC – zones 1 - 3).
- 2.2 This report sets out factors for the Employment Committee to consider in relation to the pay of Chief Officers, Deputy and Assistant Directors and Heads of Service from 1 April 2017. There is a separate report on the Agenda in relation to the pay for the Chief Executive and Director of Environment.

3. Recommendations

- 3.1 That the Committee agrees that:-
- (a) Chief Officers who achieve an overall rating of Fully Achieved or Exceed in their annual performance review be awarded a consolidated cost of living increase of 1% to their salary with effect from 1 April 2017; and
 - (b) a non-consolidated payment of £3,000 be awarded to those Chief Officers who achieve an 'Exceed' rating in their 2016 /17 performance review; to be paid on 1 April 2017.

- (c) The minimum and maximum of the Chief Officer salary range be uplifted by 1% with effect from 1 April 2017.
2. That the Committee recommends to the Chief Executive and Director of Environment that:-
- (a) Deputies and Assistant Directors (PMA/B) and Heads of Service (PMC) who achieve an overall rating of Fully Achieved or Exceed in their annual performance review be awarded a consolidated cost of living increase of 1% to their salary with effect from 1 April 2017;
- (b) a non-consolidated payment of £3,000 be awarded to those Deputy and Assistant Directors and Heads of Service who achieve an 'Exceed' rating in their 2016 /17 performance review; to be paid on 1 April 2017; and
- (c) The minimum and maximum of the PMA, PMB and PMC salary ranges (including PMC zones) be uplifted by 1% with effect from 1 April 2017.

4. Background

- 4.1 The recommendations in this report reflect the decisions made by Employment Committee on 3 March 2014 in regard to the management of annual senior manager pay reviews. This was to annually pay a consolidated cost of living increase to those senior managers who receive an annual performance rating of 'Fully Achieved' or 'Exceed' based on an assessment of a number of factors (e.g. market / affordability). In addition, to award a non-consolidated lump sum payment for those Senior Managers who achieve a performance rating of 'Exceed'.
- 4.2 Note: There are other senior managers employed by the County Council who are paid at similar rates (i.e. over £50,000) who are employed under different terms and conditions and therefore are not covered within this report. They are, however, included in the Council's annual release of data on the public Hertfordshire.gov.uk website.
- 4.3 In making the recommendation set out in 2 (a) other options were considered including 1.5% and no increase. The option of 1.5% was dismissed as it does not align with the NJC pay award of 1% for the wider workforce and the public sector median pay increases and 0% was dismissed based on the Market Data, as set out in paragraph 8 of this report.

5. Looking Back - Senior Managers Pay - 2016

5.1 A pay award was applied in April 2016 of 1%:-

- as a 'cost of living increase' (consolidated into pay) for all Chief Officers and Senior Managers on PMA, PMB and PMC grades who achieved an overall outcome of Fully Achieved or Exceed in their 2015/16 performance review; and
- as a 'cost of living' increase applied to the minimum and maximum points of the PMA, PMB and PMC salary range.

5.2 A performance related payment of £3,000 (non-consolidated) was awarded to Chief Officers and those on PMA, PMB and PMC grades who achieved an Exceed rating in their 2015/16 performance review. There were 10 Senior Managers (out of 117 in post at the end of the performance year) who achieved an Exceed rating in 2016.

6. Looking Forward - National Economic Outlook & Inflation

6.1 The Consumer Prices Index (CPI) rose by 1.2% in the year to November 2016. The main upward contributors to change in the rate were rising prices for clothing, motor fuels, and prices for gas, which were unchanged, having fallen a year ago. These upward pressures were partially offset by a fall in air fares and food prices. Rates are expected to remain below the target rate of 2% over the next 3 years.

6.2 The Office for Budget Responsibilities (OBR) expects CPI inflation to be below target in 2016 through to 2017 and then stay at the target of 2% from 2018 to 2020.

7. Context for Local Government Pay

7.1 The National Joint Council (NJC) for Local Government agreed a 2 year offer on the pay settlement for April 2016 and April 2017. For April 2016, a 1% consolidated increase was awarded for those on spinal column point 18 (£17,714) and above. Spinal column points below this received an increase of between 6.6% (£900 p.a.) and 1.01% (£175), to ensure the new National Living Wage rate of £7.20 applied. For April 2017 it is again 1% for those on or over SCP 18 and bottom loads the lower salaries to ensure we exceed the National Living Wage of £7.50 from 1st April 2017.

7.2 The council also has to continue to make significant financial savings over the next few years as set out in the reports to Cabinet on the IP.

8. Market Data – Local Authority Pay Comparisons

8.1 Benchmarking conducted across Hertfordshire's 5 neighbouring councils (Bedfordshire, Buckinghamshire, Essex, Kent and Cambridge) from

statements of accounts published in April 2015/16 shows that the **grossed median annual basic pay for Chief Executive** posts was **£190,000**. This is comparable to our Chief Executives salary of **£185,000** (from April 2016).

- 8.2 This benchmarking data also shows the median salary for tier 2 posts in 2015/16 was £122,499. This compares to a median salary of £138,550 for tier 2 employees at HCC (Chief Officers).
- 8.3 The median pay for tier 3 posts in Hertfordshire's neighbouring counties was £89,000. This tier is not wholly comparable to HCC grades as tier 3 would apply to PMA roles whose median salary is £107,883.
- 8.4 Tier 4 is still comparable to PMB roles at HCC with the median salary of Hertfordshire's neighbouring counties being £85,506. The median salary of those in PMB posts at HCC is £87,108.
- 8.5 These median salary comparisons should also be considered in the context as set out in 9.1.1 taking into account the total pay bill and number of roles at Hertfordshire compared to other Councils in the eastern region.

9. Options and Costs for Cost of Living & Exceed Payments

9.1 Senior Manager Pay Bill

- 9.1.1 The senior manager pay bill as at December 2016 is £8.8m (excluding on costs – i.e. pension and employer National Insurance (NI) contributions). There are currently 123 senior managers (in grades Chief Executive, Chief Officer, PMA, PMB & PMC). In comparison to other County Councils of a similar size in the eastern region, we have the lowest total pay bill for the Chief Executive and their direct reports¹ compared to Kent, Essex, Hampshire and Norfolk. Furthermore, when reviewing the number of roles as referenced in the 2015 Taxpayers Alliance, Town Hall Rich List, Hertfordshire has significantly less roles paid greater than or equal to £100k (24) than for example Essex with 61 and Kent with 41².
- 9.1.2 The total Senior Manager population and pay bill has slightly increased overall by 4 - over the last 12 months – there were 119 managers in January 2016.
- 9.1.3 There have also been approximately 42 changes to senior managers pay over the last 12 months, this includes starters / leavers / movement in salary due to additional responsibilities or acting up and re-evaluations. These changes are all approved / managed by the Assistant Director HR and any changes are then validated by the Strategic Management Board (SMB) via a 6 monthly report. It is these changes that are reflected in the overall changes to headcount and the total pay bill.

¹ Based on a review of data from Council websites in December 2016

² Note: according to our data in this report we only have 11 employees paid over or equal to £100k.

9.2 Cost of Living and Exceed Payment Options for 2016

9.2.1 Tables 1 & 2 set out options and associated estimated costs of a cost of living award and the value of the non-consolidated Exceed payment for Senior Managers in April 2017

Note: The consolidated cost of living increase will only apply to those who achieve an overall rating of Fully Achieved or Exceed as part of the performance management system. Based on the performance ratings for 2015/16 this was 98% of the senior manager population. The non-consolidated payment will only be awarded to those who achieve an overall Exceed rating.

Table 1 – Cost of Living Options

	Option 1	Option 2	Option 3
Cost of Living Award Option	0%	1%	2%
Total Estimated Cost*	£0	£88,260	£176,521
Total costs including NI and pension costs**	£0	£112,973	£225,947

* Based on staff numbers and pay bill as at December 2016

**Employer NI and pension costs are estimated at 28% of pay. Current employer contributions to the Local Government Pension Scheme (LGPS) are 20.6%

Table 2 – Exceed Payment Options

Value of Exceed payment Options	£2k	£3k	£4k
Cost of Exceeds based on a 10% distribution*	£25k	£37k	£49k
Total costs including NI and pension costs**	£31k	£47k	£63k

* Based on staff numbers and pay bill as at December 2016

**Employer NI and pension costs are estimated at 28% of pay. Current employer contributions to the Local Government Pension Scheme (LGPS) are 20.6%

9.2.2 The recommended option is a Cost of Living award of 1% (Option 1) reflecting a similar settlement for Local Government Workers and an Exceed payment of £3,000. This would increase the total pay bill for senior managers by approximately 1.5%.

10. Salary ranges

- 10.1 Table 3 below sets out the impact on the salary ranges if a 1% increase is applied to the top and bottom of each salary band.

Table 3: Impact of 1% uplift on Senior Manager salary ranges

Role	Salary Range April 2016	Salary Range with 1% uplift from 1 April 2017
Chief Officers	£119,907 - £161,915	£121,106 - £163,534
PMA	£105,611 - £119,442	£106,667 - £120,637
PMB	£77,438 - £106,514	£78,213 - £107,579
PMC Zone 1	£69,505 - £76,659	£69,189 - £77,425
PMC Zone 2	£61,327 - £69,504	£61,940 - £70,199
PMC Zone 3	£51,809 - £61,327	£52,328 - £61,940

- 10.2 Individual salaries within this range will be managed as set out in the Reward Policy toolkit – the Senior Manager Pay Practice Guide.

11. Equality Implications

- 11.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered the Equality implications of the decision that they are making. Rigorous consideration will ensure proper appreciation of any potential impact of that decision on the County Council's statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equalities Impact Assessment (EQiA) produced by officers.
- 11.2 The Equality Act 2010 requires the County Council when exercising its functions to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief, sex and sexual orientation.
- 11.3 There are no equalities implications in relation to the decisions recommended in this report. Any equalities implications relating to the implementation of the decisions will be taken into account as part of the moderation process of senior manager performance ratings.

12. Financial Implications

- 12.1 The options covered in the report are able to be met within existing budgets.