

**HERTFORDSHIRE COUNTY COUNCIL**  
**EMPLOYMENT COMMITTEE**  
**MONDAY 5 FEBRUARY 2018 AT 2.30PM**

<u>Agenda item</u> <u>No.</u> <b>1</b>
--

**SALARY REVIEW APRIL 2018:**  
**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 2018.

**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 2018. 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 2%** to their salary with effect from 1 April 2018 with potential for a further review being undertaken once the NJC for Local Government Workers cost of living award is agreed; and

- (b) **a non-consolidated payment of £2,000** be awarded to those Chief Officers who achieve an 'Exceed' rating in their 2017/18 performance review; to be paid on 1 April 2018.
  - (c) The minimum and maximum of the Chief Officer salary range be uplifted by 2% with effect from 1 April 2018, with a further review being undertaken once the NJC for Local Government Workers cost of living award is agreed is agreed.
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 2%** to their salary with effect from 1 April 2018 with potential for a further review being undertaken once the NJC for Local Government Workers cost of living award is agreed is agreed;
  - (b) **a non-consolidated payment of £2,000 be awarded to those Deputy and Assistant Directors (PMA/B) and a non-consolidated payment of £3,000 be awarded to those Heads of Service (PMC)** who achieve an 'Exceed' rating in their 2017/18 performance review; to be paid on 1 April 2018; and
  - (c) The minimum and maximum of the PMA, PMB and PMC salary ranges (including PMC zones) be uplifted by 2% with effect from 1 April 2018, with potential for a further review being undertaken once the NJC for Local Government Workers cost of living award is agreed is agreed.

#### 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 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 3.1 other options were considered including a 0%, a 1% increase and a 2% increase with no further review subject to the NJC for Local Government Workers cost of living award. The option of 2% with potential for a review is recommended as the NJC for Local Government Workers pay award has not yet been agreed and although the pay review for senior managers is not dependant on this, a review would be fair and equitable to ensure reasonable parity dependant on the outcome of the NJC pay award for April 2018.

## **5. Looking Back - Senior Managers Pay - 2017**

5.1 A pay award was applied in April 2017 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 2016/17 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 2016/17 performance review. There were 7 Senior Managers (out of 116 in post who were eligible for a performance rating) who achieved an Exceed rating in 2017.

## **6. Looking Forward - National Economic Outlook & Inflation**

6.1 The Consumer Prices Index (CPI) has risen sharply in the last year reflecting the exchange rate depreciation. However, it has remained flat in October 2017 compared to September 2017 and is expected to fall slightly over the coming year. The rising price of food and recreational activities were the main factors keeping inflation high but these were offset by a drop in transport and furniture prices compared to the months before.

6.2 In their last forecast in March 2017, the Office for Budget Responsibilities (OBR) expected CPI inflation to stand at 2.4% in 2017, fall to 2.3% in 2018 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 Workers agreed a 2 year offer on the pay settlement for April 2016 and April 2017. For 2017, an increase of 1.0% was applied on SCP18 and above (Grade H4 – M5). Employees on SCP 6 to SCP 17 (Grade HB – H3) saw an increase of between 3.4% and 1.01% to ensure Hertfordshire County Council exceeded the National Living Wage of £7.50 applied in April 2017. The National Living Wage is set to increase to £7.83 from April 2018.

- 7.2 For April 2018 the unions submitted a 5% claim maintaining the National Living Wage. In December 2017, the National Employers for Local Government Services submitted a 2 year pay offer to the unions of 2% for April 2018 and 2% April 2019 (with bottom loading of lower grades in both years to maintain a salary above the National Living Wage). The proposal also includes a redesign of the lower salary scales in 2019. At the writing of this report it is not yet confirmed if this offer will be accepted, but it is very unlikely that the NJC pay award for 2018 will now be any lower than 2%.
- 7.3 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 Integrated Plan.

## **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 2016/17 shows that the **grossed median annual basic pay for Chief Executive** posts was **£188,514**. This is comparable to our Chief Executives salary of **£186,113** (from April 2017).
- 8.2 This benchmarking data also shows the **median salary range for tier 2 posts** in 2016/17 was **£117,492 - £161,516**. This compares to a median salary range of £121,106 - £163,534 for tier 2 employees at Hertfordshire County Council (Chief Officers).
- 8.3 The **median pay for tier 3 posts** in Hertfordshire's neighbouring counties was **£95,098 - £114,122**. This tier is not wholly comparable to Hertfordshire County Council grades as tier 3 would apply to PMA roles whose median salary is £106,667 - £120,636.
- 8.4 Tier 4 would reflect PMB roles at Hertfordshire County Council with the median salary of Hertfordshire's neighbouring counties being £69,272 - £90,421. This is not wholly comparable to PMB posts at Hertfordshire County Council where the median is £78,212 - £107,579.
- 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 October 2017 is £8.7m (excluding on costs – i.e. pension and employer National Insurance (NI) contributions). There are currently 119 senior managers (in grades, Chief Officer, PMA, PMB & PMC). When reviewing the number of roles as referenced in

the 2016 Taxpayers Alliance, Town Hall Rich List, Hertfordshire has significantly less roles paid greater than or equal to £100k than for example Essex with 36 and Kent with 26. The number of roles for Hertfordshire as referenced in the Taxpayer Alliance for 2015/2016 totalled 10. The total current number is 13.

9.1.2 The total Senior Manager population has decreased overall by 5 during the last 10 months – from 124 managers in December 2016 to 119 in October 2017. This has seen a reduction in the total paybill from £8,902,573 in December 2016 to £8,690,135 in October 2017, a total reduction of **£212,438** (excluding on costs).

9.1.3 There have also been approximately 20 changes to senior managers since April 2017, 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.

## 9.2 Cost of Living and Exceed Payment Options

9.2.1 Tables 1 & 2 set out options and associated estimated costs for a cost of living award and the value of the non-consolidated Exceed payment for Senior Managers in April 2018.

**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 2016/17 this was 100% of the senior manager population.

The non-consolidated payment will only be awarded to those who achieve an overall Exceed rating. This is usually around 10% of the senior manager population.

Table 1 – Cost of Living Options

	Option 1	Option 2	Option 3
<b>Cost of Living Award Option</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>
<b>Total Estimated Salary Cost*</b>	<b>£0</b>	<b>£86,901</b>	<b>£173,803</b>
<b>Total costs including NI and pension costs**</b>	<b>£0</b>	<b>£111,233</b>	<b>£222,467</b>

\* Based on staff numbers and pay bill as at October 2017

\*\*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 for all senior manager grades	£3k for all senior manager grades	Split between £2k (CO, PMA & PMB) & 3K (PMC)
Cost of Exceeds based on a 10% distribution*	£24k	£36k	£32k
Total costs including NI and pension costs**	£30.7k	£46k	£33k

\* Based on staff numbers and pay bill as at October 2017

\*\*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 2% (Option 3) with a review to take place once agreement on the NJC settlement is made, and an Exceed payment of £2,000 for CO, PMA and PMB grades, and an Exceed payment of £3,000 for grade PMC. This would increase the total pay bill for senior managers by approximately 2.02% and bring the total paybill to **£8,863,938** (exclusive of the non-consolidated Exceed payments). This remains £38,635 under the total paybill as at December 2016, allowing for just under 0.5% for consideration dependant on the NJC final outcome without exceeding the pay envelope (following the IP forecast being updated to 2%) between December 2016 and April 2018.

9.2.3 The above however, does not take into account any pay changes that will take place by 1 April 2018.

## 10. Salary ranges

10.1 Table 3 below sets out the impact on the salary ranges if a 2% 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 2017	Salary Range with 2% uplift from 1 April 2018
Chief Officers	£121,106 - £163,534	£123,528 - £166,805
PMA	£106,667 - £120,636	£108,800 - £123,049
PMB	£78,212 - £107,579	£79,776 - £109,731
PMC Zone 1	£70,200 - £77,425	£71,604 - £78,974
PMC Zone 2	£61,941 - £70,199	£63,180 - £71,603
PMC Zone 3	£52,327 - £61,940	£53,374 - £63,179

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 recommendations covered in the report are able to be met within existing budgets. The Integrated Plan will account for 2% pay award for Senior Managers.