

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

<u>Agenda item</u> <u>No.</u> <b>2</b>
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**SALARY REVIEW APRIL 2018: CHIEF EXECUTIVE AND DIRECTOR OF ENVIRONMENT**

Report of the Assistant Director, Human Resources

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**1. Purpose of report**

- 1.1 The salary of the Chief Executive is locally determined. The effective date for the review of his salary is 1 April each year. This report makes proposals to the Employment Committee for the review of the salary of the Chief Executive and Director of Environment for April 2018.

**2. Summary**

- 2.1 The Council's scheme of delegation provides that the Employment Committee:
- Determines the pay award for the Chief Executive and Director of Environment.
- 2.2 This report sets out factors for the Employment Committee to consider in relation to the pay of the Chief Executive and Director of Environment from 1 April 2018.

**3. Recommendation**

- 3.1 That, subject to the Committee agreeing the recommendations in paragraph 3.1 of the report to this meeting of Employment Committee entitled 'Salary Review April 2018: Chief Officers, Deputy and Assistant Directors and Heads of Service', the Chief Executive and Director of Environment be awarded:
- (i) a consolidated cost of living increase of 2% to his salary if he achieves an overall rating of Fully Achieved or Exceed in his annual performance review, with effect from 1 April 2018, this to be reviewed further following agreement of the National Joint Council for Local Government Workers cost of living award;
- 3.2 (ii) a non-consolidated performance related payment of £2,000 be paid if he achieves an Exceed rating in 2017/18.

#### **4. Background**

- 4.1 The recommendations in this report reflect the decisions made by Employment Committee on 3 March 2014 in respect of the management of annual senior manager pay reviews (including that of the Chief Executive and Director of Environment). 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'. The Employment Committee is, therefore, required to agree the value of a cost of living award and also the value of the Exceed payment annually.

#### **5. Looking Back – 2017**

- 5.1 A pay award was applied in April 2017 of 1% as a 'cost of living increase' (consolidated into pay) for the Chief Executive and Director of Environment where he achieved an overall outcome of Fully Achieved in his 2016/17 performance review.

#### **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 Public Sector 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 HCC 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 of 2% for April 2018 and 2% for April 2019 (with bottom loading of lower grades on 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 award for 2018 will now be any lower than 2%.

- 7.3 The Council 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. Benchmarking

- 8.1 Benchmarking conducted across Hertfordshire's five neighbouring councils (Bedfordshire, Buckinghamshire, Essex, Kent and Cambridge) from statements of accounts published in April 2016/17 showed that the gross median annual basic pay for the five, for the Chief Executive post was £188,514.

- 8.2 This is comparable to our Chief Executive and Director of Environment's current salary of £186,113.

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

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

**Note:** The consolidated cost of living increase will only apply if he achieves an overall rating of Fully Achieved or Exceed as part of the performance management system. The non-consolidated payment will only be awarded if he achieves an overall Exceed rating.

Table 1 – Cost of Living Options

	Option 1	Option 2	Option 3
<b>Cost of Living Award options</b>	0%	1%	2%
<b>Cost of salary increase</b>	£0	£1,861 (new salary £187,974)	£3,722 (new salary £189,835)
<b>Total on-cost including NI &amp; Pension costs</b>	£0	£52,633	£53,154
<b>Total Cost</b>	£0	£240,607	£242,989

\*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 The options for exceed payments are £2k or £3k. The recommendation for an Exceed payment is £2k reflecting the recommendation for all other senior managers of a non-consolidated payment of £2k for grades CO, PMA and PMB and £3k for grades PMC.

- 9.3 The recommended option is a cost of living award at 2% (Option 3) with a review once the NJC cost of living award is agreed. This would reflect a similar settlement to Local Government Workers and the recommendation for all other Senior Managers.

## **10. Equality Implications**

- 10.1 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.
- 10.2 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.
- 10.3 There are no equalities implications in relation to the decision recommended in this report.

## **11. Financial Implications**

- 11.1 The recommendation covered in the report is able to be met within existing budgets. The Integrated Plan will account for 2% pay award for all Senior Managers.