

**SALARY REVIEW APRIL 2020:  
CHIEF OFFICERS, DEPUTY AND ASSISTANT DIRECTORS AND HEADS OF SERVICE**

Report of the Chief Executive

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**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 2020.

**2. Summary**

- 2.1 The Council's scheme of delegation provides that the Employment Committee:
- Determines the pay awards for the Chief Executive and Chief Officers.
  - Recommends to the Chief Executive 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 2020.

**3. Recommendations**

- 3.1 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 2020. This increase **may** be subject to review upon settlement of the NJC for Local Government Workers pay award for April 2020 once it is agreed.
- (b) **a non-consolidated payment of £3250** be awarded to those Chief Officers who achieve an 'Exceed' rating in their 2019/20 performance review; to be paid on 1 April 2020.

(c) The minimum and maximum of the Chief Officer salary range be uplifted by 2% with effect from 1 April 2020. This increase **may** be subject to review upon settlement of the NJC for Local Government Workers pay award for April 2020 once it is agreed.

2. That the Committee recommends to the Chief Executive 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 2020. This increase **may** be subject to review upon settlement of the NJC for Local Government Workers pay award for April 2020 once it is agreed.

(b) **a non-consolidated payment of £3250** be awarded to those Deputy and Assistant Directors (PMA/B) and Heads of Service (PMC) who achieve an 'Exceed' rating in their 2019/20 performance review; to be paid on 1 April 2020; 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 2020. This increase **may** be subject to review upon settlement of the NJC for Local Government Workers pay award for April 2020 once it is agreed.

#### 4. Context

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 £55,530) 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.

#### 5. Looking Back - Senior Managers Pay - 2019

5.1 A pay award was applied in April 2019 of 2%:-

- 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 2018/19 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 2018/19 performance review. There were 13 Senior Managers (out of 118 in post who were eligible for a performance rating) who achieved an Exceed rating in 2019.

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

6.1 Looking ahead, the median basic pay increase expectations in the 12 months to August 2020 remain at 2%. The median basic pay increase expectations in the private sector dropped slightly, decreasing from 2.5% last quarter to 2.2%. However, median basic pay increase expectations in the public sector (2%) have increased from 1.5% since Summer 2019, therefore closing the gap between the sectors.

6.2 Basic pay settlements are centred around 2-3% with 34% of employers saying it is hard to predict what will happen to pay (CIPD, Labour Market Outlook Autumn 2019). The Retail Price Index (RPI) reported in Q3 of 2019 was 2.1%. RPI is the most commonly used measure of the cost of living for pay-setting purposes. The rate of inflation in October 2019 was 1.5%, the lowest rate since November 2016 and below the Bank of England's target of 2%.

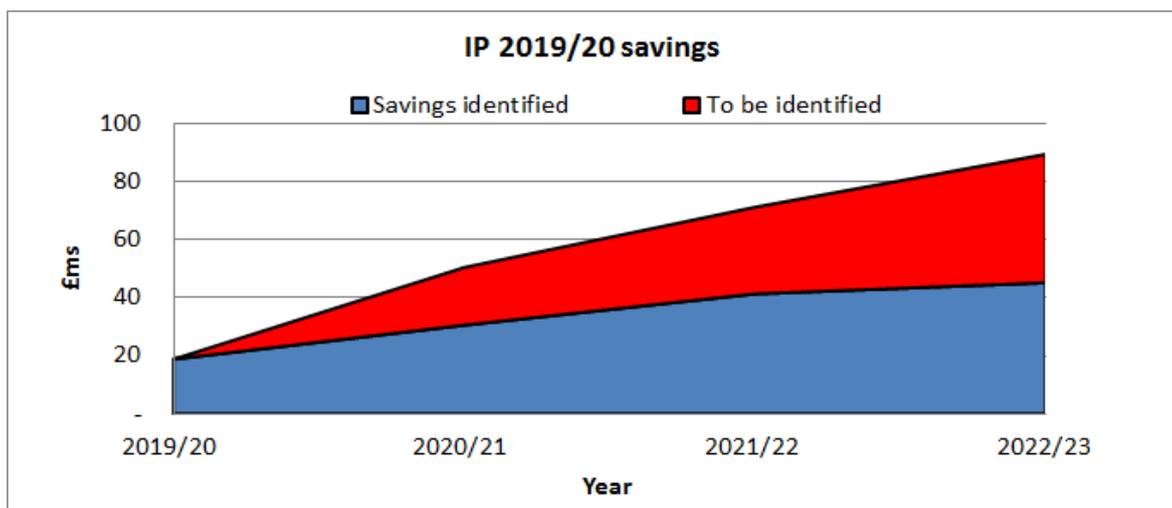
6.3 The Consumer Prices Index (CPI) inflation rate has decreased in the last year from 2.4% in October 2018 to an average of 1.5% in October 2019, below market expectations of 1.6%. This is the lowest rate since November 2016, mainly due to a slowdown in housing and utilities prices.

## **7. Context for Local Government Pay**

7.1 Most public sector employees received a 2% cost of living increase in 2019. The National Joint Council (NJC) for Local Government Employees has yet to settle on an agreement for the April 2020 pay settlement. This follows a 2-year agreement for April 2018 and April 2019 to apply a 2% salary increase. That agreement also included a redesign of the lower salary scales from April 2019.

7.2 Following the recommendations of the independent Low Pay Commission (LPC), the government increased the National Living Wage (NLW) by 4.9% from £7.83 to £8.21 from April 2019. This will further increase to £8.72 from 1 April 2020 (and is estimated to reach £8.89 in 2021)

7.3 Despite recent settlements 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 (IP) and illustrated overleaf:



## 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 2019 shows that the gross **median annual basic salary ranges are as follows;**

Grade	Median Range	HCC Range
Chief Officer	£122,122 - £170,205	£125,999 - £170,141
PMA	£97,620 - £116,695	£110,976 - £125,510
PMB	£75,728 - £97,258	£81,372 - £111,926
PMC	£52,349 - £74,927	£54,441 - £80,553

- The Chief Officer range is comparable with neighbouring authorities.
- PMA, PMB and PMC roles all compare favourably with neighbouring authorities.
- It should be noted here that the benchmarking data is based on 2018-19 salaries whereas the data for Hertfordshire County Council (HCC) is based on updated 2019-20 figures.

8.2 These median salary comparisons should also be considered in the context as set out in section 9 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 November 2019 is £9.6m (excluding on costs – i.e. pension and employer National Insurance (NI) contributions). There are currently 121 senior managers (in grades, Chief Officer, PMA, PMB & PMC).

Note. The number of senior managers and pay figures quoted exclude the Chief Executive and any secondments out of the organisation.

9.1.2 When reviewing the number of roles as referenced in the 2019 Taxpayers Alliance, Town Hall Rich List, Hertfordshire has significantly less roles paid greater than or equal to £100k than for example Essex with 55 and Kent with 24. The number of roles for Hertfordshire as referenced in the Taxpayer Alliance 2019 (for 2017/2018) totalled 12 and the total actual number as at November 2019 was 15.

9.1.3 There have also been approximately 26 changes to senior managers since April 2019, 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) annually.

## 9.2 Cost of Living and Exceed Payment Options

9.2.1 Tables 1 & 2 below 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 2020.

9.2.2 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 2018/19 this was 98% 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	Option 4
<b>Cost of Living Award Option</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>
<b>Total Estimated Salary Cost*</b>	<b>£0</b>	<b>£96,008</b>	<b>£192,015</b>	<b>£288,023</b>
<b>Total costs including NI and pension costs**</b>	<b>£0</b>	<b>£122,890</b>	<b>£245,779</b>	<b>£368,669</b>

\* Based on staff numbers and pay bill as at November 2019

\*\*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

	Option 1	Option 2	Option 3	Option 4
<b>Value of Exceed payment Options</b>	<b>£2k for all senior manager grades</b>	<b>£3k for all senior manager grades</b>	<b>£3,250 for all senior manager grades</b>	<b>£4k for all senior manager grades</b>
<b>Cost of Exceeds based on a 10% distribution*</b>	£24k	£36k	£39k	£48k
<b>Total costs including NI and pension costs**</b>	£30k	£46k	£50k	£61k

\* Based on staff numbers and pay bill as at November 2019

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

## 10. Recommendations

- 10.1 **(1) The recommended option is a cost of living award of 2% (Option 3), with the option for a further review if required once the NJC for Local Government Workers pay award for April 2020 has been agreed.** This will be at a cost of approximately £245,779 including on costs. Note: This does not take into account any pay changes that may take place before 1 April 2020.
- 10.2 The option of 2% is recommended as anticipated to be in line with the NJC for Local Government Workers pay award for April 2020, although this has not as yet been settled. This also aligns to median basic pay expectations. Although the pay review for senior managers is not dependant on the NJC settlement, the recommendation is considered to be fair and equitable to ensure reasonable parity. It is also recommended that the 2% be subject to further review should the NJC settlement significantly vary. This does not mean or guarantee that the value of the award will change, but that it allows for any consideration of this should it be felt appropriate.
- 10.3 **(2) The recommended option for an Exceed payment is £3,250.** This is worth between 1.87% - 5.85% dependant on the salary of the senior manager.
- 10.4 The option of varying the Exceed payment value by grade was considered, as done in 2018, but it was decided a set rate for all was simpler. The recommended value (applied for the past 4 years) has however been uplifted from 2020 by an equivalent cost of living increase over that period.
- 10.5 Further proposals to amend the payments were considered. However, in light of the Future Workforce project, a project as part of the Council's wider Transformation plans looking at workforce structures including pay, it was considered prudent to leave arrangements as currently agreed until this review is completed in 2021.

## 11. Salary ranges

- 11.1 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 2% uplift on Senior Manager salary ranges*

Role	Salary Range April 2019	Salary Range with 2% uplift from 1 April 2019
Chief Officers	£125,998 - £170,141	£128,517 - £173,543
PMA	£110,976 - £125,510	£113,195 - £128,020
PMB	£81,371 - £111,925	£82,998 - £114,163
PMC Zone 1	£73,036 - £80,553	£74,496 - £82,164
PMC Zone 2	£64,443 - £73,035	£65,731 - £74,495
PMC Zone 3	£54,441 - £64,442	£55,529 - £65,730

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

## 12. Equality Implications

- 12.1 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.
- 12.2 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.
- 12.3 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.

### **13. Financial Implications**

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