

HERTFORDSHIRE COUNTY COUNCIL

**EMPLOYMENT COMMITTEE
MONDAY, 11 FEBRUARY 2019 AT 2.00PM**

**SALARY REVIEW APRIL 2019:
CHIEF OFFICERS, DEPUTY AND ASSISTANT DIRECTORS
AND HEADS OF SERVICE**

Agenda Item
No.

1

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 2019.

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 2019. .

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 2019 in line with the already agreed NJC for Local Government Workers cost of living award; and
- (b) a non-consolidated payment of £3,000 be awarded to those Chief Officers who achieve an 'Exceed' rating in their 2018/19 performance review; to be paid on 1 April 2019.

(c) The minimum and maximum of the Chief Officer salary range be uplifted by 2% with effect from 1 April 2019.

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 2019 in line with the already agreed NJC for Local Government Workers cost of living award;

(b) a non-consolidated payment of £3,000 be awarded to those Deputy and Assistant Directors (PMA/B) and Heads of Service (PMC) who achieve an 'Exceed' rating in their 2018/19 performance review; to be paid on 1 April 2019; 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 2019, in line with the already agreed NJC for Local Government Workers cost of living award.

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 £54,000) 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%, 1% and a 2.5% increase. The option of 2% is recommended in line with the already agreed NJC for Local Government Workers pay award for April 2019; although the pay review for senior managers is not dependant on this, the recommendation is considered to be fair and equitable to ensure reasonable parity. The option of varying the Exceed payment value as in 2018/19 was also considered but it was decided a set rate for all was simpler.

5. Looking Back - Senior Managers Pay - 2018

5.1 A pay award was applied in April 2018 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 2017/18 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 £2,000 (non-consolidated) was awarded to Chief Officers and those on PMA and PMB grades who achieved an Exceed rating in their 2017/18 performance review.

A performance related payment of £3,000 (non-consolidated) was awarded to those on PMC grades who achieved an Exceed rating in their 2017/18 performance review.

There were 14 Senior Managers (out of 120 in post who were eligible for a performance rating) who achieved an Exceed rating in 2018.

6. Looking Forward - National Economic Outlook & Inflation

6.1 The median basic pay increase expectations in the 12 months to September 2019 are 2% for the fifth successive quarter. The median basic pay increase expectations in the public and private sector are also 2%. This is the highest expected pay settlement for the public sector since Spring 2012.

6.2 The Consumer Prices Index (CPI) has decreased in the last year from 3% in October 2017 to 2.4% remaining flat in October 2018 when compared to September 2018; inflation is expected to fall slightly over the coming year towards the Bank of England's target of 2%. A reduction in the price of food, non-alcoholic beverages, clothing, footwear and some transport elements were the main factors reducing inflation, but these were offset by rising petrol, diesel and domestic gas prices.

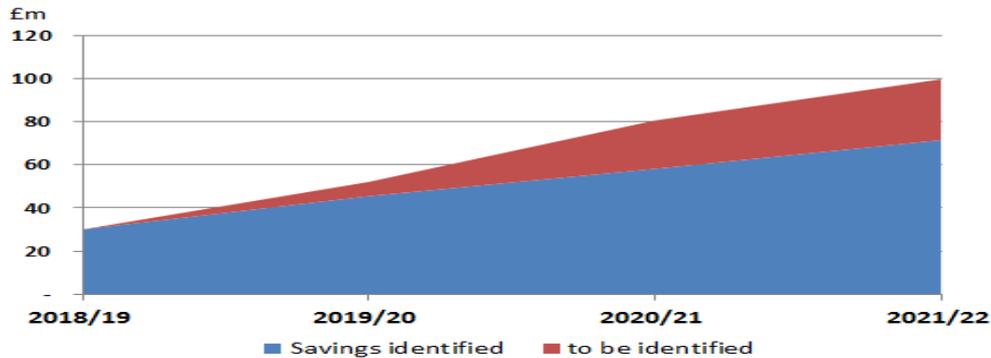
6.3 In their last economic forecast in October 2018 The Office for Budget Responsibilities (OBR) expected CPI inflation to fall to 2% during 2019 and then stay at the target of 2% from 2019 to 2020.

7. Context for Local Government Pay

7.1 The National Joint Council (NJC) for Local Government Employees made a 2 year agreement to apply a 2% salary increase effective 1 April 2018 to 31 March 2019 and a further 2% increase effective 1 April 2019 to 31 March 2020. In April 2018, employees on lower grades saw an increase of between 3.7% and 9.1% for the same period. In April 2019, employees on lower grades will see a higher increase than 2% to maintain a salary above

the National Living Wage. The agreement also includes a redesign of the lower salary scales in 2019. The National Living Wage is set to increase to £8.21 from April 2019.

- 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 IP and illustrated below:



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 2018 shows that the median salary range for tier 2 posts in 2017/18 was £123,197 - £171,195. This compares to a median salary range of £123,528 - £166,805 for tier 2 employees at Hertfordshire County Council (Chief Officers).
- 8.2 The median pay for tier 3 posts in Hertfordshire’s neighbouring counties was £99,000 - £116,856. This tier is not wholly comparable to Hertfordshire County Council grades as tier 3 would apply to PMA roles whose median salary is £108,800 - £123,049.
- 8.3 Tier 4 would reflect PMB roles at Hertfordshire County Council with the median salary of Hertfordshire’s neighbouring counties being £74,000 - £97,999. This is not wholly comparable to PMB posts at the county council where the median is £79,776 - £109,731.
- 8.4 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 November 2018 is £8.5m (excluding on costs – i.e. pension and employer National Insurance (NI) contributions). There are currently 114 senior managers (in grades, Chief Officer, PMA, PMB & PMC). When reviewing the number of roles as referenced in the

2018 Taxpayers Alliance, Town Hall Rich List, Hertfordshire has significantly less roles paid greater than or equal to £100k than for example Essex with 28 and Kent with 20. The number of roles for Hertfordshire as referenced in the Taxpayer Alliance 2018 (for 2017/2018) totalled 15. The total current actual number is 14.

9.1.2 The total Senior Manager population has reduced during the last year from 116 Senior Managers in October 2017 to 114 Senior Managers in October 2018. The total pay bill has remained steady during the last year at £8.5m.

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

9.1.3 There have also been approximately 40 changes to senior managers since April 2018, 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 of Human Resources 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 2019.

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 2017/18 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	Option 4
Cost of Living Award Option	0%	1%	2%	2.5%
Total Estimated Salary Cost*	£0	£ 84,774	£ 169,548	£ 211,935
Total costs including NI and pension costs**	£0	£ 108,511	£ 217,022	£ 271,277

* Based on staff numbers and pay bill as at November 2018

**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
Value of Exceed payment Options	£2k for CO&PMA/B and £3k for PMC's	£2k for all senior manager grades	£3k for all senior manager grades	£4k for all senior manager grades
Cost of Exceeds based on a 10% distribution*	£31k	£23k	£34k	£46k
Total costs including NI and pension costs**	£40k	£29k	£44k	£58k

* Based on staff numbers and pay bill as at November 2018

**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), this reflects median pay settlement predictions for the public sector, CPI and the national cost of living award for local government workers for April 2019. An Exceed payment of £3,000 is also recommended – this is worth between 2.6% - 5.1% dependant on the salary of the senior manager. The recommendation of 2% cost of living would increase the total pay bill for senior managers to £8,646,962 (exclusive of the non-consolidated Exceed payments).

NOTE: The above, however, does not take into account any pay changes that may take place before 1 April 2019.

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 2% uplift on Senior Manager salary ranges

Role	Salary Range April 2018	Salary Range with 2% uplift from 1 April 2019
Chief Officers	£123,528 - £166,805	£125,998 - £170,141
PMA	£108,800 - £123,049	£110,976 - £125,510
PMB	£79,776 - £109,731	£81,371 - £111,925
PMC Zone 1	£71,604 - £78,974	£73,036 - £ 80,553
PMC Zone 2	£63,180 - £71,603	£64,443 - £73,035
PMC Zone 3	£53,374 - £63,179	£54,441 - £64,442

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.