



Senior Management Pay Review

Background

The Council is a member of the Local Government Employers association for national collective bargaining in respect of the Chief Executive, Chief Officers (directors) and other employees. There are separate negotiations and agreements in respect of each of these three groups. It is the Council's policy to implement national agreements. The Chief Executive and Chief Officers are under the Joint Negotiating Committee (JNC) conditions of service including pay. All other employees are under the National Joint Council (NJC) national agreement on pay and conditions of service.

All employees other than Chief Executive and Chief Officers (i.e. any post-holder on grades 1/2 to 13) have their basic pay determined by a job evaluation scheme (the Hay scheme) which ensures that different jobs having the same value are paid at the same rate. The “job score” determines the pay scale for the job range, within which there is provision for progression by annual increments until the top of the pay scale is reached.

The Chief Executive and Chief Officers posts are paid on a fixed spot salary basis (external benchmarking on pay is sought on appointment). The Chief Executive was appointed in July 2015. The new director post and new head of service post has been evaluated using Hays internally in January 2016

The Councils' 2015/16 Pay Policy Statement sets out the remuneration for statutory roles - a payment of up to £10,000 per year for the designated Head of Paid Services; Monitoring Officer and S151 Officer.

Reward/National Living Wage (NLW)

The Organisational Development strategy 2015-2019 sets out the council's actions and outcomes under Reward.

The actions linked to reward are to review and improve our employee engagement, communication and reward/recognition arrangements including celebrating successes, and to explore how the council can get more from the reward and benefit packages that give choice to employees and support work life balance. The council needs to remain competitive in the market and over the last few years attracting and retaining candidates has been an issue in some services.

HR is currently exploring voluntary benefits packages including salary sacrifice, discount and other benefit schemes that will support the wider reward outcomes.

Local Authorities face difficulties to recruit at senior and professional levels. Shortages of professionally qualified staff exist in areas such as finance, planning, building control and housing, and often the council is competing to recruit and retain staff with other public sector bodies or the private sector.

The council faces the challenge of introducing the National Living Wage (NLW) in the coming years, which creates an increase at the bottom pay point of potentially 32%.

The NLW will impact on the pay scales for the council, with an increase from £7.05 to £7.20 per hour from 1 April 2016 increasing to at least £9.35 per hour by 2020. This will impact on job evaluated pay and grading structures and differentials between employee and supervisor roles, and oncosts of commissioned services. The National Employers are in consultation with the unions on how the NLW can be met within our current grading structures and have as at December 2015 made a final offer to the unions on the pay award for April 2016 and April 2017. If this offer is agreed, the majority of employees will receive an uplift of one per cent on 1 April 2016 and a further one per cent on 1 April 2017, with those on lower salaries (below £17,714 per annum) receiving higher increases to take account of the NLW. The offer is designed to meet the council's obligations under the NLW and to start the progress of moving towards the expected level of the Living Wage by 2020. Further negotiations which will impact on the pay structure and SCP of the council will continue in coming years.

Current pay structure

The council uses the NJC spinal column scale up to Spinal Column Point (SCP) 49. The pay scales at East Herts continue up to SCP 66 and the nationally agreed pay increases apply to all of the spinal points in the scale. East Herts have grades 1/2 – 13 (up to and including Heads of Service) which were agreed with Unison in 2001, when all grades were reviewed by Hay as part of the Single Status process (see ERP D). Heads of Service are paid between scale point 61 £47,056 to £57,239, scale point 66. Directors and the Chief Executive are paid fixed spot salaries and their terms and conditions of service are in accordance with JNC. Heads of service receive 28 days annual leave, are part of the flexi scheme, receive local weighting allowance and 2% local award. Chief Officers receive a spot salary, 28 days annual leave and do not receive local weighting, local award or participate in the flexi scheme.

Independent Review

Epaycheck partnership (Local Government pay benchmarking service) completed an independent review of senior management pay in September 2015 (See ERP E for the full report).

Key findings:

- Current base pay for Chief Executive Tier 1 (data source: Shire District) is aligned with the median of the market. The market median is £106,800 (data source: type of authority) and £110,924 (data source: East of England Shire District). The Chief Executive base salary is £90,000 increasing to £100,000 following a 6 month successful probation period. The Chief Executive also receives an allowance of £10,000 per annum for the designated role of Head of Paid Services.
- Current base pay for Directors Tier 2 (data source: Shire District) is aligned and competitive with the median of the market. The market median (data source: type of authority) is £75,904 and £76,681 (data source: East of England Shire District) and Directors base salary is between £74,541-£81,600. Directors also receive an allowance of £10,000 per annum for the designated roles of S151 Officer and Monitoring Officer.
- Current base pay for Heads of Service Tier 3 (data source: Shire District) is **below** the median of the market. The market median (data source: type of authority) is £59,554 and £62,210 (data source: average pay by working population >80000). Heads of service base salary is between £47,056 -£57,239.
- If other cash benefits for Heads of Service are taken into consideration (including London allowance of £573 and 2% local award) then the base salary is between £48,570 - £58,957, which is **still below** the median of the market.

- An organisational pay benchmark exercise was completed comparing base salary levels with Stevenage Borough Council (SBC) for senior management, as the two councils work in partnership on shared services. SBC Head of Service base salary is £55,790 - £64,841. SBC Assistant Director base salary is £62,326 - £72,437, Directors base salary is £75,056 - £87,231.
- East of England completed a survey in December 2015 on Statutory Officer Payments (see ERP F) which summarised that most district councils incorporate the remuneration for statutory roles into base salary and for those that do not, a range of £2,000 - £10,000 is paid as an additional allowance.

Proposals

The senior management restructure commenced on 5 January 2016 proposing a new structure at senior level. Pay proposals have been included for senior management as part of the consultation process.

The council use the NJC spinal column scale up to SCP 49. The pay scales for the council continue up to scale point 66 and were agreed locally as part of the single status agreement in 2001. The council recognises that the scale points for the current grade 13 overlap grade 12 and are not numbered consecutively (jumping from SCP 54 to starting again at SCP 61).

Grade 12 = SCP 48 - SCP 54 (£42,053 - £52,048) (7 SCPs in the grade)

Grade 13 = SCP 61 - SCP 66 (£47,056 - £57,239) (6 SCPs in the grade)

Grade 13 currently overlaps by four SCPs with grade 12, and with only 6 SCPs in the grade there is very little differential between grades (see ERP C).

The proposal is to change the spinal column points in grade 13 to remove the overlap with grade 12 and to increase the starting point for grade 13. This is to reflect the fact that the proposed new Head of Service role is to have increased responsibilities and decision making and reflects that the direct line into directors has been removed. Directors and the Chief Executive will provide a mentoring role rather than direct line management support.

The proposed pay scale is set out in ERP G.

These proposals reflect the market data and the council's imperative to remain competitive for senior management in the market. Additional scale points have been created to allow the progression through the scales for Heads of Service.

It is proposed that progression through the proposed pay range and scale points for the directors and heads of service will be based on performance (measured through a performance review process) rather than by annual increments. This process will be designed by the Head of HR and OD in consultation with the Leadership team and Unison.

The differential between scale points in the current pay grades ranges, so an average differential of 2.6% has been used for the new scale points in Grade 13.

On transfer to the new scale points, Heads of Service will be slotted to the nearest scale point based on their current base pay. For example a Head of Service on SCP 66 £57,239 will commence on SCP 58 £57,675 as this is the nearest SCP to their current base pay. On appointment to new roles Heads of Service starting scale point will be discussed as part of the appointment process to take into consideration responsibilities and size of role.

It is proposed that the Heads of service and above do not participate in the flexi-time scheme and manage their hours to meet the requirements of their role taking into consideration the council's policies on flexible working and work-life balance.

It is also proposed to define the current pay range for Director spot salaries between £75,000 - £90,000 base pay. This is to reflect the market.

It is proposed that the posts designated as the Council's S151 Officer; Monitoring Officer and Head of Paid Service will receive a payment of £5,000 per year.

The Pay Policy statement 2016/17 has been updated based on these proposals.

Emma Freeman
Head of HR and OD
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