

**Report to:** Governance Committee

**Date of meeting:** 6 March 2018

**By:** Head of Human Resources and Organisation Development

**Title:** Chief Executive, Chief Officers' and Deputy Chief Officers' Pay 2018/19

**Purpose:** To consider the position in relation to the pay award for the Chief Executive, Chief Officers and Deputies for 2018/19.

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## **RECOMMENDATIONS**

**The Governance Committee is recommended to defer consideration of the pay award for the Chief Executive, Chief Officers and Deputy Chief Officers for the financial year 2018/19 until the level of the NJC national pay award is known.**

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### **1 Background**

1.1 Chief Officers' pay is locally determined and annual increases approved by this Committee normally take effect on 1 April

1.2 The national (NJC) pay award is relevant to these local negotiations as the decision made regarding the local pay offer needs to take into account the impact on the wider workforce and organisation as a whole.

1.3 Set against this background, the local pay award for the Chief Executive, Chief Officers and Deputy Chief Officers has therefore historically mirrored the national award. Any consideration of a pay increase must, however, take into account the savings targets and significant financial challenges facing the Council, as well as any Government pay policy for the public sector.

### **2 Supporting information**

2.1 The annual Consumer Prices Index (CPI) inflation measures changes in the price level of consumer goods and services purchased by households. The CPI 12 month rate (the amount prices change over a year) between October 2016 and October 2017 stood at 3% (Office for National Statistics, November 2017), unchanged from September 2017. CPI is the inflation measure used in the Government's target for inflation and for purposes such as uprating pensions, wages and benefits.

2.2 On 21 March 2017, the CPI was replaced by a new measure: the Consumer Prices Index, including owner occupier's housing costs (CPIH). This extends the CPI to include a measure of the costs associated with owning, maintaining and living in one's own home (owner occupiers' housing costs OOH), along with council tax. This is the most comprehensive measure of inflation. The CPIH 12 month rate between October 2016 and October 2017 stood at 2.8% (Office for National Statistics, November 2017); unchanged from September 2017.

2.3 For the three months ending September 2017, the median pay settlement for the private sector was 2%, whereas in the public sector it was 1%. The median for the whole economy was 2% (Xpert HR, November 2017). Total pay in the public sector (average weekly earnings including bonuses adjusted for CPI) grew by 0.3% to 1.7% when compared with a year earlier over the three months to September 2017. In contrast, total pay in the private sector fell by 0.2 to 2.4% over this period. Overall, average weekly earnings for employees in Great Britain in real terms (that is, adjusted for price inflation) fell by 0.3% to 2.2% including bonuses compared with a year earlier (Labour Market Statistics, ONS).

2.4 The current rate of inflation is 2.7% (January 2018). The National Institute of Economic and Social Research (NIESR) states “*CPI inflation is set to remain stubbornly above the target rate of 2 per cent until at least mid-2019 on our forecast. Household disposable income will be squeezed as a result.*” (NIESR, December 2017).

### Pay Negotiations 2018/19

2.5 The Chief Executive, Chief Officers and Deputy Chief Officers received a pay award of 1% in 2016/17 and a further 1% in 2017/18, in line with the national NJC award.

2.6 In terms of 2018/19, the national NJC local government services pay negotiations are as yet to be concluded. The National Employers have made a final pay offer covering the period 1 April 2018 to 31 March 2020. If agreed, the two-year deal would provide for pay increases of 2% each year on salaries at the top end of the scale (more at the bottom). The Unions are currently consulting their members and that process is due to be completed by March. Alongside this, the national claims for both the Chief Executives and Chief Officers are for parity with the national NJC claim.

### **3. Conclusion and reasons for recommendations**

3.1 At its meeting on 23 January 2018 the Governance Committee considered a report in relation to the pay offer to be made to LMG Managers. In light of the current negotiations around the national NJC pay award and its relevance to the management pay structure, the Committee agreed to defer consideration of the pay offer until the level of the NJC national pay award is known.

3.2 This consideration is equally valid in relation to the pay position for the Chief Executive, Chief Officers and Deputies. As such, the Governance Committee is therefore recommended to defer consideration of the pay award for the Chief Executive, Chief Officers and Deputy Chief Officers for the financial year 2018/19, until the level of the national pay award is known, and for this to be on the basis that no obligation is given to accepting parity with the national award.

### **SARAH MAINWARING**

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