

Report to: **Governance Committee**

Date of meeting: **5 March 2019**

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

Title: **Chief Executive, Chief Officers' and Deputy Chief Officers' pay 2019/20**

Purpose: **To consider the position in relation to the pay award for the Chief Executive, Chief Officers and Deputies for 2019/20.**

RECOMMENDATIONS

The Governance Committee is recommended to determine the pay offer for the Chief Executive, Chief Officers and Deputy Chief Officers for the financial year 2019/20 as being 2.0% (in line with the recent national NJC awards).

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 this local determination 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. Historically, the local pay award for the Chief Executive, Chief Officers and Deputy Chief Officers has generally mirrored the national award.

1.3 Any consideration of a pay increase must, however, take into account the savings targets and significant financial challenges facing the Council, as well as the significant leadership role required to enable the Council to respond to these appropriately.

2 Supporting information

2.1 The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12 month inflation rate was 2% in December 2018, down from 2.2% in November 2018 (Office for National Statistics, 16 January 2019). The CPIH rate 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.

2.2 For the three months ending December 2018, the median pay settlement across the whole economy remained at 2.5%, consistent with the overall median of 2.5% for the economy during 2018 (IDR). During 2018, average weekly earnings for employees in Great Britain in real terms (that is, adjusted for price inflation) increased by 1.1% excluding bonuses and 1.2% including bonuses compared with a year earlier (Labour Market Statistics, ONS).

2.3 For the three months ending December 2018, wage growth in the private sector was 3.5% and 2.8% in the public sector. The annual rate of inflation across the UK fell to 2.1% in December 2018, down from 2.3% in the previous month (Trading Economics, Jan 19).

Pay Negotiations 2019/20

2.4 The national NJC local government services pay award was agreed in April 2018 and in broad terms, provided for a two-year deal covering the period 1 April 2018 to 31 March 2020. It gives a headline increase of 2% each year, with more at the bottom end of the pay spine to take account of National Living Wage increases.

2.5 Set against this background, the national JNC pay award for both Chief Executives and Chief Officers were also agreed as 2% for each year, thereby providing parity with the local government services award.

Benchmarking

2.6 An assessment of the market position in relation to the Chief Executive, Chief Officers and Deputies' pay levels has been undertaken. Attached at Appendix 1 is high level benchmarking data in relation to other similar sized local authorities and our closest neighbours. As can be seen from this, our pay rates are broadly in line and the majority have confirmed that their pay awards will mirror the national position.

2.7 Attached at Appendix 2 is high level benchmarking data in relation to a wider public sector data set, including 'not for profit' organisations, provided by Korn Ferry Hay (specialists in pay and reward). This shows the Chief Officers and Deputies' pay rates as being within the lower to median quartile range and the Chief Executive within the median to upper quartile.

2.8 In considering this data further, it is important to recognise that Councils do not have consistent structures so it is not possible to be confident that we are comparing on a 'like for like' basis. It is, however, useful to note that a number of Councils have introduced the role of 'Executive Director', which sits between the Chief Executive and departmental Chief Officers, thereby providing additional senior strategic capacity. This is not a layer that exists within East Sussex.

2.9 A further relevant factor is the context in which the Council is currently operating. The scale of the leadership challenge, running a complex organisation and services in the face of financial challenge, complex needs and multiple risks is significant. Working collaboratively and in partnership is vital to support the challenges around service reconfiguration and integration and our senior leaders have significant external facing roles in addition to the services they manage. This is particularly the case at the Chief Executive level where national recognition in relation to the funding pressures facing Councils has been achieved through lobbying, and work around the core offer, undertaken this year. Given this context, it is essential that our pay rates are appropriately competitive to enable us to recruit and retain highly skilled and effective leaders to ensure the best delivery of services to the residents of East Sussex.

2.10 The Chief Executive, Chief Officers and Deputy Chief Officers received a pay award of 2% for the financial year 1 April 2018 to 31 March 2019 to mirror the national award. For the year prior to this they received an award of 1%, again, in line with the national pay award.

Financial Implications

2.11 The Chief Executive, Chief Officer and Deputy Chief Officer pay bill is approximately £1.5m per annum including on-costs. If we were to mirror the current national JNC offer, this would provide for an offer of 2%, which would cost approximately £31k including on-costs. This can be met within the agreed revenue budgets for 2019/20.

2.12 Attached at Appendix 3 is a copy of the current Chief Executive, Chief Officer and Deputy Chief Officer salary scales showing the impact of a 2% uplift.

3. Conclusion and reasons for recommendations

3.1 The Governance Committee is recommended to determine the pay offer for the Chief Executive, Chief Officers and Deputy Chief Officers for the financial year 2019/20 as being 2.0% (in line with the recent national awards).

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