

## **AMENDMENT TO PAY STRUCTURE – SENIOR SALARIES**

**Head of Service/Contact:** Kathryn Beldon, Chief Executive Officer

**Urgent Decision?(yes/no)** No

**If yes, reason urgent decision required:**

**Annexes/Appendices (attached):** Annex 1 Pay Structure 2019/20  
Annex 2 SOLACE Report

**Other available papers (not attached):** Pay Policy 2016-2020  
Employee Pay & Reward Procedure 2020-2024  
Organisational Chart – Leadership Team  
  
Mapping of Pay Changes 2019/20  
Pay Structure 2018/19  
Summary of LGA Pay & Performance Report

### **Report summary**

**This report provides background information on the independent review of the Council's pay and performance scheme and proposed changes to senior salaries (Grades 2 and 3) of the Councils pay structure and associated budget implications.**

### **Recommendation (s)**

**That the Committee:**

**(1) reviews the SOLACE report and approves the proposed changes to Grades 2 and 3 of the Council's pay structure (Option 5 as shown in 3.9)**

**and**

**(2) supports the use of up £16,190 of the corporate contingency to fund the changes, with effect from 1 April 2020.**

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### **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The Council's employees are a key part of its efforts to meet the Council's ambition to make Epsom & Ewell an excellent place to live and work, and its policies on the pay of staff will be important in ensuring that the Council meets its key priorities. In particular, any policy about pay is relevant to the Council's key priority of "Managing Resources" – the Council aims to utilise its limited resources in the most efficient and effective way.
- 1.2 Senior staff which includes the Chief Executive, Chief Operating Officer and Heads of Service are responsible for the strategic direction of the organisation and are responsible for the delivery of the Members 4 Year Plan. They are responsible for day to day staff leadership across the whole of the organisation and are made up of 11 individuals.
- 1.3 There are no implications arising from this report for the Sustainable Community Strategy.

### **2 Background**

- 2.1 Any changes to the Chief Executives terms and conditions of employment, including changes to remuneration, require formal approval by Full Council and therefore do not form part of the decision for this Committee.
- 2.2 At the Joint Staff Committee on 13 October 2015 it was recommended that as part of the Council's four year pay policy that a full review of the Council's Pay and Performance scheme be undertaken.
- 2.3 In April 2016 the Local Government Association (LGA) were commissioned to support with the Pay & Performance review. Initial discussions took place and details of the then current pay and performance scheme were provided to the LGA.
- 2.4 In June 2016 the LGA provided an initial overview of areas which needed to be addressed.
- 2.5 One of the key areas that was identified which specifically impacts on the bottom and top end of the pay structure was in relation to the proposed reduction of the 20 Market Anchors to 12 Grades. The LGA identified that the differentials between the grades were inconsistent and needed to be addressed at both the top and bottom of the Council's pay structure.
- 2.6 Over the past four years the Council has sought to address as many of the recommendations as possible of the LGA and is in the final stage, having commissioned South East Employers to undertake a job evaluation exercise across the organisation. This was completed by December 2019 and will be implemented from April 2020.

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The 2019/20 Pay Structure is attached in Annex 1. Table 1 below shows a summary of what action has been taken during the four year period to address the points raised by the LGA:

Table 1 – Summary of Changes to Pay Structure

Year	Implementation of Pay Review
2019/20	<p><b>1% pay award</b></p> <p><b>Removal of G12</b></p> <p><b>Removal of the bottom spinal column point for all grades</b></p> <p><b>Implement an increased spinal column point for all grades</b></p> <p><b>Review of all role profiles to generic templates</b></p> <p><b>Complete job evaluation for all roles by South East Employers</b></p>
2018/19	<p><b>0% pay award</b></p> <p><b>Reduction of 20 Market Anchors to 12 Grades</b></p> <p><b>Implement annual pay progression</b></p> <p><b>Implement new performance scheme (My Performance Conversation)</b></p>
2017/18	<p><b>1.5% pay award</b></p> <p><b>Development and costing of revised pay and performance scheme</b></p> <p><b>Consultation with staff</b></p>
2016/17	<p><b>1.5% pay award</b></p> <p><b>LGA review of pay and performance</b></p>

2.7 The lower end of the pay structure was prioritised as part of the review with the realignment of the lower grades and the removal of G12 to ensure those paid the lowest salaries were addressed as a priority.

2.8 These changes resulted in 23 employees receiving on average a \*£1,114 increase. \*Figure based on actual (pro rata) salaries at 1 April 2019 prior to pay progression (excludes on costs)

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- 2.9 The Council is currently in the final stages of reviewing its Pay and Performance scheme in conjunction with the Local Government Association (LGA). South East Employers are currently undertaking a job evaluation exercise to ensure that all roles are graded correctly as a result of the changes made to the pay structure in 2018/19.
- 2.10 However to date the top end of the pay structure has remained unchanged and now needs to be addressed as part of the final stages of the review, as well as address changes to the management structure, which has taken place over the past few years.
- 2.11 The removal of the Director of Operations and Director of HR & Communications from the Councils structure in 2016, resulted in significant changes to the Head of Service roles, with many individuals assuming new responsibilities and providing strategic direction of the Council.
- 2.12 In 2018 further changes to the Leadership team were made when the roles of Head of Customer Services and Business Support and Head of Venues were removed from the structure with duties realigned, again resulting in existing Heads of Service assuming additional areas of responsibility and greater strategic control.
- 2.13 The Council has saved £235k from the changes in 2016 with further savings of £167k from the review in 2018.
- 2.14 No Head of Service has received additional salary as a result of the changes to the structure and have taken on additional levels of responsibility without any additional remuneration.
- 2.15 To assist with the review of top salaries, as recommended by the LGA, a detailed external independent review was commissioned. The scope of the review included the top three tiers and was undertaken to ensure that any recommendations to change the top end of the pay structure are transparent, proportionate and affordable.
- 2.16 SOLACE were appointed in early 2019 to review and make recommendations for consideration.
- 2.17 The SOLACE report and recommendations are attached in Annex 2.

### **3 Proposal**

- 3.1 SOLACE undertook a review of senior management pay and compared the current levels of remuneration to those of similar non-metropolitan district councils in the South and East of the country.

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- 3.2 SOLACE found that if the Council decides not to change the pay of its senior staff it will mean that the Council's key managers earn rather less than they might expect to earn in other comparable district councils.
- 3.3 From their findings SOLACE recommends an increase in salary for the Chief Executive Officer, Chief Operating Officer and Heads of Service to bring their salaries more closely in line with norms among smaller non-metropolitan district councils in the South and East of the country.
- 3.4 The changes to Grades 2 and 3 as recommended by SOLACE are outlined in the table (Table 2, Option a) below:

Table 2 – Option a (Based on 2019/20 Pay Grades)

	<b>Chief Operating Officer</b>	<b>Heads of Service</b>
<b>Current Salary Scale</b>	£80,491 - £94,390	£57,693 - £67,625
<b>Recommended Salary Scale – SOLACE</b>	£81,048 - £95,114	£60,554 - £71,062

- 3.5 The SOLACE report also makes mention of the differential in pay between the Chief Executive, the Chief Operating Officer and Heads of Service. This was one of the key areas identified in the original LGA pay and performance review.
- 3.6 Currently the Chief Operating Officer grade is c80% of the Chief Executive pay grade and Heads of Service grade is 57% of the Chief Executive grade. The SOLACE report would expect Head of Service pay when compared to the benchmark to be around 61% of the Chief Executive's pay grade.
- 3.7 A suggested further change to Grade 3 for Heads of Service addresses the current differential and brings it in line with similar authorities as outlined in the table (Table 3 – Grades and Differentials) below:

Table 3 – Option b (Based on 2019/20 Pay Grades)

	<b>Chief Operating Officer</b>	<b>Heads of Service</b>
<b>Current Salary Scale</b>	£80,491 - £94,390	£57,693 - £67,625
<b>Suggested Salary Scale - Benchmarking</b>	£81,048 - £95,114	£62,693 - £72,625

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- 3.8 If the changes to the minimum and maximum of grade 2 and 3 and subsequent scale points are implemented with effect from 1 April 2020 (Table 2), 3 options have been costed reflecting how current staff could be assimilated in to either of the revised pay proposals:
1. Managers assimilated to nearest scale point – average annual increase for a manager £610, total cost to the Council £7,950.
  2. Managers assimilated 1 scale above nearest scale point – average annual increase for a manager £1,830, total cost to the Council £23960.
  3. Managers assimilated to existing scale point in new grade – average annual increase for a manager £2,950, total cost to the Council £38790.
- 3.9 If the changes are implemented to achieve the recommended differentials between bandings (Table 3), 3 options have been costed reflecting how current staff could be assimilated to the revised pay proposals:
4. Managers assimilated to nearest scale point – average annual increase for a manager £100, total cost to the Council £1370.
  5. Managers assimilated 1 scale above nearest scale point – average annual increase for a manager £1230 total cost to the Council £16190.
  6. Managers assimilated to existing scale point in new banding – average annual increase for a manager £4,620, total cost to the Council £60680.

## 4 Financial and Manpower Implications

- 4.1 **Chief Finance Officer's comments:** The financial forecast reported to Financial Policy Panel showed that this Council could be required to deliver a total of £1.8 million in reduced costs or increased income over the next four years to achieve a balanced budget and offset further cuts in government funding.
- 4.2 Any increase in senior management pay will need to be met from within existing resources. Therefore, if it is supported to increase pay grades for senior management, then it is recommended the impact is limited on the financial position of the Council and only assimilate managers 1 scale above nearest scale point in either of the proposed band changes is supported.
- 4.3 Funding of up to £16190 can be accommodated from within the proposed 20/21 budget, with the availability of funds identified from the corporate review contingency.

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4.4 It should be noted that all figures quoted in this report will be subject to 1.7% annual pay award with effect from 1 April 2020.

### **5 Legal Implications (including implications for matters relating to equality)**

5.1 It is imperative the Council's pay structure and policy is fair and transparent and is in line with equal pay legislation. The new Employee Pay & Reward procedure will provide this transparency along with the Council's Pay Policy statement.

5.2 **Monitoring Officer's comments:** none arising from the contents of this report.

### **6 Sustainability Policy and Community Safety Implications**

6.1 There are no implications for this report.

### **7 Partnerships**

7.1 There are no implications for this report.

### **8 Risk Assessment**

8.1 Failure to put in place adequate pay structures for Council staff is likely to lead to increased turnover and difficulties in recruitment and retention of staff.

### **9 Conclusion and Recommendations**

9.1 The Committee is requested to agree to the proposed changes to Grades 2 and 3 of the Council's pay structure with effect from 1 April 2020 resulting in the changes to senior salaries as outlined in Option 5 section 3.9 and to agree the use of up to £16190 of the corporate contingency to fund the changes.

**Ward(s) affected:** (All Wards);