



Senior Management Pay Review for Epsom and Ewell.

Summary

The report recommends an increase in salary for the Chief Executive, 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.

	Chief Executive	Chief Operating Officer	Heads of Service
Current Salary Scale	£100,928- £118,353	£80,491- £94,390	£57,693- £67,625
Recommended Salary Scale	£103,407- £121,352	£81,048- £95,114	£60,554 £71,062

1 Terms of Reference

1.1 Solace in Business have agreed to:

- Carry out a job analysis for the three levels of post using an up to date job description and/or role profile data provided by the client, to establish their relative sizes by job evaluation.
- Carry out a benchmark review of published top salaries of a sample of district councils in the South Eastern and Eastern



Regions in 2018/19. Supplement this information with SOLACE data from recent recruitment exercises.

- Prepare report of findings with recommendations as required by the client.

The Client wishes to retain the existing senior pay structure and approach to pay progression; comprising three, nine increment, grades.

2 Context

2.1 Epsom and Ewell is a small (pop c. 79,500) non-metropolitan district in Surrey a few miles South of the Capital. Many residents will work in London and the Borough will be well within the Metropolitan labour market.

2.2 Top pay in local government is often controversial both nationally and locally. Recent reforms have greatly increased transparency; and with transparency comes greater public scrutiny. The stewardship of the public money they hold is rightly a great concern for local authorities.

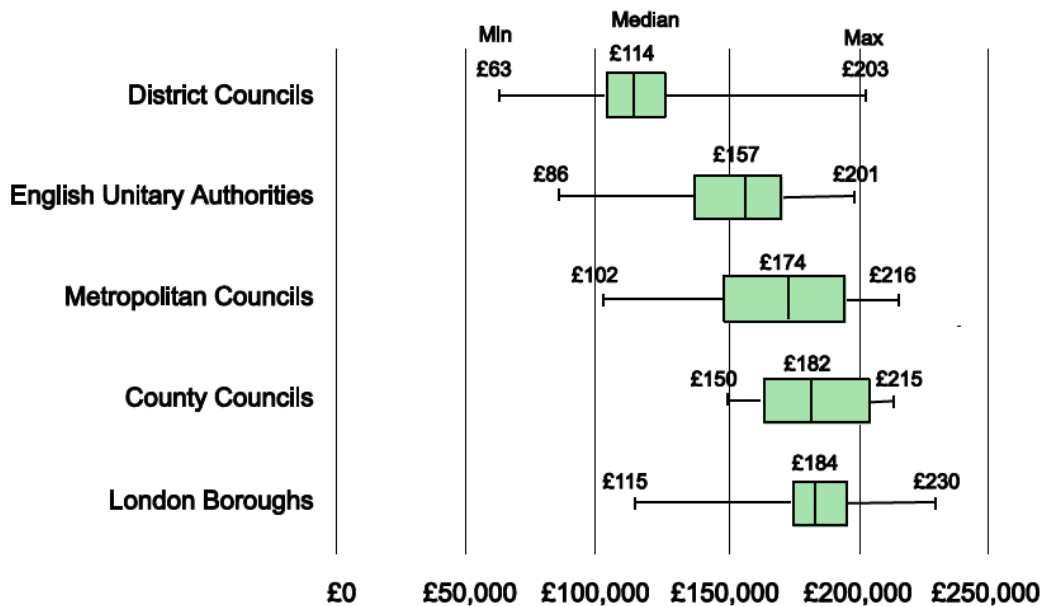
2.3 At the same time councils exist in a real world and a real labour market. It is essential that they can recruit and retain the talented individuals who can deliver on behalf of residents.

2.4 The council's published pay policy statement states:

Our policy is to pay appropriately to attract competent and experienced senior staff to lead the organisation, we do not aim to be in the upper quartile of payment levels locally but nearer the mid-point or median. We recognise that the cost of housing in Epsom & Ewell is amongst the highest in the Southeast and that we are within commuter distance of London and the higher salaries there, and we take this into account when determining salary levels from the benchmarking information. The overall consideration is what is reasonable and financially affordable.

2.5 In deciding how to go about this councils get lots of criticism but not much helpful advice. In 2014 the House of Commons Communities and Local Government Committee published a report which helped to put some of this in context.

Figure 1 Local government Chief Executive remuneration 2012-13 (local authorities' figures in £000s)[8]



2.6 This data is now five years old but local government senior salaries have remained almost frozen during that period so medians will not have moved much (in some cases they have fallen).

2.7 E-PayCheck, a consortium of local authorities organized by the LGA, produces comparative pay data. Using 2015 data they produced the following data for the CE's of member authorities of all types.

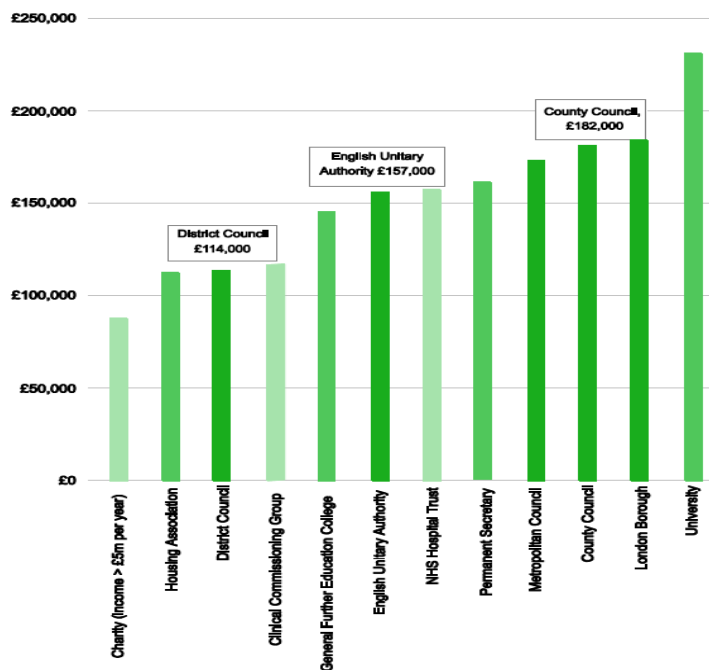
	Median (£) 2014/15
English Unitary	147,489
London Borough	175,313
Met District	160,000
Shire County	173,643
Shire District	106,800
Welsh Unitary	127,642
Total	122,210

2.8 This makes it clear that Shire District CE's are paid rather less than those of other authorities. This is appropriate because in almost all cases these jobs are smaller.

Region	Lower Quartile (£)	Median (£)	Upper Quartile (£)	
Shire District	East Midlands	104,660	106,819	108,244
	East of England	106,727	110,924	122,773
	North West	93,840	101,511	106,000
	South East	105,705	107,492	111,332
	South West	88,257	103,224	110,000
	West Midlands	94,690	104,308	107,574
	Yorkshire and Humber	93,000	104,460	105,757

2.9. This table looks at CE salaries in Shire District by region and shows us that pay in the regions closest to London is the highest.

Figure 2 Annual remuneration of Chief Executives in the public sector





2.12 This second chart from the House of Commons looks at comparisons of key roles across the public and third sectors. We might add those of secondary school head teachers that now range up to £116,000 and those of academy heads that are even larger.

2.13 Of course, as the report points out, these salaries are simply dwarfed by those in the private sector. For comparison Ernst and Young, looking at the salaries in FTSE 250 companies in 2016, found a median salary for CE's of £476,000.

2.14 This, of course, is where the process of comparison breaks down. To what extent do people move across these labour markets? how can you compare levels of responsibility between them? What about remuneration that goes beyond salary?

3 Benchmark Methodology

3.1 The soundest methodology available would be to measure the job size (by job evaluation) and rewards of all comparable jobs in comparable organisations to create reliable benchmarks. Unfortunately, we do not have access to any database holding this data. To create it afresh would require enormous effort across numerous organisations, resulting in costs out of all proportion to the aims of this exercise.

3.2 What we have done in this study is to look at published rewards in comparable local authorities in 2018-19. The cohort of authorities chosen is the 21 smallest authorities in the South and Eastern regions of England (those with populations of less than 96,000). Of these, two have been excluded because they have formed joint administrations with other councils.

3.3 This leaves 19 authorities listed at Annex A; and among these Epsom and Ewell ranks 17th in terms of population. This report



uses population, location, type of authority, and level of post within the organisation as surrogates for a direct measure of job size.

3.4 The report compares salaries and any payments for specific responsibilities but excludes pension contributions, subsistence allowances and car allowances. The former are consistent throughout local government and the latter two are assumed to be in lieu of legitimate expenses.

3.5 There are some structural differences among the authorities. Two do not have chief executives and one has no level between the Chief Executive and heads of service. In these authorities we have had to make some assumptions regarding the category of comparator that is appropriate.

3.6 Where there are salary scales (or multiple salary scales) we have used a grade mid point as the relevant comparator; whereas spot salaries were taken in as they were.

For the purposes of calculation all salaries were rounded to the nearest £1,000.

3.7 References to median and quartiles below follow this convention:

Symbol	Names	Definition
Q ₁	first quartile lower quartile 25th <u>percentile</u>	splits off the lowest 25% of data from the highest 75%
Q ₂	second quartile <u>median</u> 50th percentile	cuts data set in half
Q ₃	third quartile upper quartile 75th percentile	splits off the highest 25% of data from the lowest 75%

4 Benchmark Results

4.1 Pay Comparisons at grade midpoint prior to the projected 2019 pay increase.

	Epsom and Ewell	Lower Quartile	Median	Upper Quartile
	£000	£000	£000	£000
Chief Executive	108	107	111	120
Chief Operating Officer	86	81	87	101
Heads of Service	62	60	65	72

As the table above shows, all salary ranges at Epsom and Ewell fall within the interquartile range but all would require adjustment to bring them up to the Median in this cohort; which is the expressed policy of the authority

4 Job Size

4.1 I have had access to the organisation structure, the relevant job descriptions and profiles and the key metrics (numbers of employees and budgets)

4.2 I have, of course been focusing on the job size not the capability of the existing incumbents; though at this level in



organisations, effective managers are able to develop their roles; so the distinction may be blurred to an extent.

4.3 I have been aiming to determine:

- the relative sizes of the jobs at each of the three levels
- the extent to which these jobs differ in size to comparable jobs in comparable local authorities.

4.4 I have examined each job using two job evaluation schemes, those developed by Hay and the Local Government Employers. The results are at Annex B. (I can provide further technical information if required.)

4.5 In my view; both schemes show the expected differentials in job size between the three levels and reflect expected national norms in job sizes for this type of authority.

4.6 I have not tried to distinguish between the relative job sizes of the individual heads of service because the client wishes to retain a single grade for all the posts at this level.

4.7. At present the differential between the top two levels expressed as a percentage of the Chief Executive's salary is consistent with norms within the cohort examined. However, the differential between Tier 3 (Heads of Service) and the CE rather exceeds the norm. My recommendations at 6.2 below would, if implemented, serve to narrow this differential somewhat.

Salary Scale Midpoints Expressed as a % of the CE's salary		
	Epsom and Ewell	Average for Cohort
Tier 2	79%	79%
Tier 3	56%	61%



5. Job Market

5.1 Solace in Business, operating as an executive recruitment service provider, is involved in very many senior appointments in Local Government across the country. I am of the opinion that were the council to go into the job market now to recruit senior managers, depending on the brief and expectation for the role, the current salaries would not be sufficient to attract a diverse pool of candidates with the experience, track record and/or capability to deliver the council's agenda.

5.2 Of course, salary isn't always the key determining factor for individuals deciding whether to apply or not, but it is likely that the current salary would largely restrict interest to local, 'step up' candidates.

5.3 Failure to match the market expectations for senior management salaries will inevitably raise questions over the authority's ability to retain talent at this level in the medium term.

6 Recommendations

6.1 If the Council does not wish to change the pay of senior staff at this time then, with its restructured pay scales for 2019-20 set out below, it will be paying its key managers rather less than they might expect to earn in other comparable district councils

2019/20 Payscales (Inclusive of 1% Pay Award)									
Grade	SCP1	SCP2	SCP 3	SCP 4	SCP5	SCP6	SCP7	SCP8	SCP9
G1	100,928	103101	105284	107456	109642	111813	113997	116169	118,353
G2	80,491	82223	83965	85697	87440	89172	90914	92647	94,390
G3	57,693	58934	60175	61417	62658	63899	65141	66382	67,625

6.2 The Council's policy is to be a 'median payer' The table below, therefore, sets out my recommendations regarding how the council's top three grades should change to reflect the median



salaries among similar small district councils close to London. I have taken into account both the restructuring of the Council's salary scales and the 1% increase at these salary points this year.

SC Point	1	2	3	4	5	6	7	8	9
G1	103407	105517	107706	109868	112110	114352	116639	118972	121352
G2	81048	82703	84391	86113	87870	89627	91420	93248	95114
G3	60554	61790	63050	64337	65650	66963	68302	69669	71062

6.3 Implementation of this change could be brought about in a number of ways. It would be possible to simply move staff to the new scales at the corresponding incremental point to that they currently occupy. This option would be the most expensive.

6.4 Alternatively, staff could be assimilated to the incremental point in the new scales with a cash value immediately above the cash value of their existing incremental point and then progress up the new scale by annual increment. This would be less costly in the short term. For example, an employee on G3 point 4 (£61,417) would move to new G3 point 2 (£61,790) as opposed to new point 4 at £64,337.

Rob Pinkham
Associate
Solace in Business
5th February 2019



Annex A List of Comparable District Councils

Maldon
Forest Heath
Brentwood
Epsom and Ewell
Gosport
Rochford
Harlow
Runnymede
Mole Valley
Tandridge
Stevenage
Uttlesford
Surrey Heath
East Cambridgeshire
Castle Point
Babergh
Three Rivers
Hastings
Rother
Hart
Rushmoor



Annex B

Job Evaluations Epsom and Ewell Top Posts

Post	Hay Method		LGE	
	Score	Points	Score	Points
Chief Executive	G-IV3 G4+ G4-P	2028 A2	7+/8/8-/8	1800
Chief Operating Officer	F+III3 F4 F+3P	1372 A3	6/6/6/6	1440
Heads of Service	FII3 E4 E3+S	805 A2	4/4/4+/4	970



Annex C Rob Pinkham

Examples of Work as a Consultant and Interim Manager

Establishment of a **public sector practice** for *Link Management Group* and my own company, *Pieve Solutions Ltd* that has been involved in more than 60 projects throughout the public and third sectors; the most recent of which are:

- **Interim Director of People**, Homes for Haringey, Top Structure Review, TUPE transfers in and out, complete review of people policies, culture change transformation programme.
- **Interim Director of HR and OD** for the **Papworth Trust**, a large charity and RSL supporting disabled people; managing **TUPE** transfers, recruiting to the **Leadership Team**, Developing an HR and OD **Strategy**.
- Recent projects as a consultant include; Managing a range of major transformation projects for Hounslow L.B. including the establishment of an Integrated Care Organisation with Richmond and 3 NHS organisations. Installing a performance management scheme for Boston Mayflower Housing Association, Reviewing senior management pay for Waltham Forrest and Harlow BC, Delivering a **Single Status pay review for Leicester City Council** (12,000 staff), rescuing a failed pay review for **Peterborough CC: a pay and grading review** for Walsall MBC (5000 staff), measuring **HR Effectiveness** for Waltham Forest LBC, Advice on **equal pay** for Daventry DC, delivering a new **performance management structure** for the City of London (3500 staff), a major employee relations **investigation** and reports for two Welsh local authorities; an **OD** programme for NALC, development and introduction of a new **rewards strategy** for ACEVO.

Career Summary

Pieve Solutions and Link Management Group

Director, Consultant, and Public Sector Practice Leader

2005 -

Employers Organisation for Local Government (EO)

Executive Director

1999-2005

Barnet Borough Council (Local Authority)

Director of Personnel

1995-1999

Association of District Councils (ADC)

Assistant Secretary (HR)

1989-1995

Education, Qualifications and Professional Achievements:

M.Sc. (Urban Science) Birmingham, B.Sc. (Econ) London School of Economics, F.C.I.P.D, F.R.S.A.

Current activities: Presiding Magistrate, member of Beds and Herts JTAAAC.

Previously: Board member HACRO, Advisor to Local Government Association, Member of East Hertfordshire Health Authority, Chair of Ethical Committee, Herts Business Link liP Assessor, judge in Guardian Public Service Awards.