

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: MSDC Council BDC Council	REPORT NUMBER: BC/21/41
FROM: Leader of the Council	DATE OF MEETINGS: 21 March 2022 22 March 2022
OFFICER: Arthur Charvonia, Chief Executive	KEY DECISION REF NO. N/A

PAY POLICY REPORT

1. PURPOSE OF REPORT

- 1.1 To review the Council's Pay Policy Statement and specifically to consider whether to amend the current pay scales for the Assistant and Strategic Directors.
- 1.2 The Council is legally obliged to review its Pay Policy Statement on an annual basis. It was last reviewed in full by Council in March 2021. No changes were made to the Pay Policy Statement in 2021 (see section 6 below).
- 1.3 The Head of Human Resources & Organisational Development brought a related report to both Councils in September 2021. This report sought to increase the pay scales across the Senior Leadership Team ('SLT').
- 1.4 The report was considered first at Babergh Full Council and the recommendations were not approved; the equivalent report was therefore withdrawn from the Mid Suffolk Full Council meeting. Constitutionally this revised report can be considered now as more than 6 months have elapsed since the previous report was published.
- 1.5 Significant engagement with all Councillors, via political groups has taken place since September 2021 to seek to address the concerns raised. The recommendations in this report have been revised accordingly.

2. OPTIONS CONSIDERED

- 2.1 To enhance the non-financial incentives and rewards for officers rather than increasing pay scales. The Councils are in favour of this approach, as described in section 5 below, however given the Councils' current offer for all employees it is not believed that significantly more can be done in this regard which can sufficiently compensate for the shortfall in senior officer salaries which are available from other local authorities.
- 2.2 The Councils have a 'market forces' policy that they could seek to utilise for vacancies within the SLT. Given the more fundamental issues highlighted in Appendix B, across all members of SLT, it is not considered appropriate, effective or sustainable to seek to address the challenge in this way.

3. RECOMMENDATIONS

- 3.1 That the salary for the Assistant Directors should be set at £78,000 to £90,000 with a scale of 5 points (£78,000, £81,000, £84,000, £87,000, and £90,000)
- 3.2 That the salary for the Strategic Director should be set at £100,000 to £120,000 with a scale of 5 points (£100,000, £105,000, £110,000, £115,000 and £120,000)
- 3.3 That the Head of Paid Service be asked to review again the job titles 'Assistant Director' and 'Strategic Director' to determine whether these should be amended to more modern titles that better reflect the nature of the roles, and in line with job titles adopted by other Councils for similar roles.
- 3.4 That, subject to approval of recommendations 3.1 and 3.2, it be noted that the Head of Paid Service will commission a review of pay across the whole workforce, as set out in paragraph 5.3; to be completed before 31 March 2023.
- 3.5 That it be noted, in line with paragraph 5.4, that the Head of Paid Service will commission a review of the pay progression policy for SLT during 2022.
- 3.6 That the Pay Policy Statement (Appendix C) be approved subject to any consequential amendments arising from the consideration of recommendations 3.1 to 3.3 being incorporated.
- 3.7 Although the Council's Pay Policy Statement is already reviewed on an annual basis it is recommended that SLT's pay scales be reviewed in detail at least every 4 years.

REASON FOR DECISION

Revisions to the Councils' Pay Policy Statement and pay bands for senior officers are proposed in order to strike an appropriate and effective balance between providing adequate salaries for senior officers to secure and retain high quality employees, whilst at the same time recognising that this is public money.

4. BACKGROUND

- 4.1 With the support of Councillors, the Chief Executive has made incremental changes to the structure of SLT over the last 5 years.
- 4.2 These changes have involved the removal of previous reliance on, and significant costs of, interim / consultant support within SLT; and the deletion of the Deputy Chief Executive and one of the Strategic Director roles.
- 4.3 The Assistant Director roles have also been reconfigured to create more dedicated resources, aligned to the Councils' strategic priorities, for Economic Growth, Planning, Environment, Communities & Wellbeing and Customers & Digital Services.
- 4.4 The current structure chart, including all Corporate Manager roles is attached at Appendix A. It should also be noted that through restructuring in 2019 the importance and role of managers was more formally recognised. The number of Corporate Managers was also reduced by 6 posts to 22. A pay review and job evaluation process for Corporate Managers was completed at that time.

- 4.5 The most recent change to SLT was made in April 2021 with the creation of the Assistant Director for Communities & Wellbeing role. This is a four-way shared role between Babergh and Mid Suffolk, and also both local Clinical Commissioning Groups. Unfortunately, the partners failed to permanently recruit to this role following advertisement in Spring 2021. The role is currently filled on an interim basis and readvertisement of the permanent role has been paused pending consideration of this report.
- 4.6 As a result of feedback during the recruitment process, in particular with regard to salary levels, the East of England Local Government Association ('EELGA') was commissioned to carry out a benchmarking review of our senior leadership salaries and to make recommendations to the Councils. This report and its recommendations are attached at Appendix B.
- 4.7 The Council's Chief Finance Officer (Section 151 Officer) will be retiring on 30th April 2022. As part of a managed transition the Councils have recently recruited to this role, and Council are being asked to appoint the new Assistant Director for Resources as the Council's Section 151 Officer through a separate report to the March 2022 Full Council meeting. In line with the current salary scales and Pay Policy Statement, which includes an additional payment for the statutory role of the section 151 officer, the role was advertised at a salary up to £88,000.
- 4.8 Penna recruitment consultants were commissioned to support the Councils with the candidate search and recruitment process. Based upon their recent experience supporting Babergh and Mid Suffolk they have confirmed that:

"The Councils have a strong and different offer in the local government market. This is characterised by the scale and history of joint working by the Councils which is rare and potentially attractive to candidates who are looking to progress and develop their careers.

However, this is a double edge sword as candidates have seen such similar arrangements elsewhere in the country fold recently. In addition, candidates recognise that working for two councils will require extra demands, skills and complexity which they expect to see 'priced-in' to the job. Where Babergh and Mid Suffolk pay similar or lower salaries than other 'single' councils then in a buoyant jobs market the Councils have and will continue to struggle to attract suitable candidates.

This is true of the recent appointment of the Assistant Director of Resources. On this occasion the Councils' development and succession planning has ensured that it was possible to appoint a highly credible and capable internal candidate who would be highly sought over as a Section 151 Officer in any District or Borough Council. However, the recruitment search failed to attract the number of suitable / appointable candidates that we would usually expect or want to attract. In this case the Councils would not have attracted more candidates or existing Section 151 Officers from elsewhere unless there was an ability to increase the salary offer to nearer £100,000."

5. REWARD & RECOGNITION

- 5.1 The Councils' approach to reward and recognition is much broader than just levels of pay. The Councils' have developed a wide package and culture of support, development, wellbeing, working environment, flexibility, agile working, values and behaviours that combined has helped attract, recruit and retain officers.

This has previously enabled the Councils to recruit excellent officers whose skills and leadership have made a significant difference to the delivery of Councillors' political priorities and outcomes for local residents. Many other organisations in the public and private sector have however now adopted similar approaches as a result of the pandemic. The Councils are operating in an increasingly competitive market with officers able to further their local government careers anywhere else in the country.

- 5.2 Unlike other positions within the Council, which can and have been re-graded within the existing pay structures, the pay scales for Assistant and Strategic Directors have not been reviewed since 2011. The Council's Pay Policy Statement is clear that, "*In the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees, but at the same time needs to recognise that this is public money.*" EELGA's report highlights that salaries for senior officers at Babergh and Mid Suffolk have become increasingly uncompetitive.
- 5.3 If the recommendations are approved by Council, then the Chief Executive intends to immediately commission a wider review of pay across the whole of the Council. Implementing the draft recommendations will create the 'headroom' within the Council's pay scales to be able to make any subsequent changes. For example, this will create a gap between the top of the existing Corporate Manager pay scale and the bottom of the revised Assistant Director pay scale. Although the pay levels for Corporate Managers were reviewed in 2019, the recommendations will create the flexibility to adjust pay scales for Corporate Managers and all other staff, both in terms of recruitment and retention, if required.
- 5.4 Council should note that in parallel, the Chief Executive intends to commission a review of the pay progression arrangements for SLT, and then consider whether it is possible and appropriate to extend any changes for all officers. Currently officers are unable to progress up their pay scale where there is poor performance. The review will consider strengthening that policy so that officers only progress up their pay scale as a result of good performance rather than just satisfactory performance.

6. PAY POLICY

- 6.1 The Councils' Pay Policy Statement is reviewed, as required by section 38(1) of the Localism Act 2011, on an annual basis. It was last reviewed by Council in March 2021. Babergh and Mid Suffolk District Councils have a single organisational structure with harmonised pay, grades, terms and conditions of service and have a single pay policy statement which covers both Councils.
- 6.2 No changes were made to the Pay Policy Statement in 2021. The risk section of the Council report however highlighted that "We have been advised by an LGA pay consultant that the current senior manager pay levels are lower than similar councils. We will therefore need to keep this under review."
- 6.3 The Pay Policy Statement sets out:
 - a) The level and elements of remuneration for each chief officer
 - b) The remuneration of the Councils' lowest paid employees
 - c) The relationship between the remuneration of the Councils' chief officers and other officers

d) Other specific aspects of chief officers' remuneration, use of performance related pay and bonuses, termination payments and transparency.

- 6.4 The Chief Executive's post was last evaluated nearly 6 years ago ahead of the recruitment of the current Chief Executive. The Assistant and Strategic Director roles have not been re-evaluated since the Councils began working together over 10 years ago.
- 6.5 The Pay Policy Statement specifies that the Chief Executive's salary will "normally be no greater than 8 times the full time equivalent ('FTE') salary range of a grade 1 'green book' employee. This is well within the recommended multiplier of no more than 12 times the lowest paid employee". The Councils' lowest paid employee's salary is £18,333.
- 6.6 The Pay Policy also contains similar ratios for the Strategic and Assistant Directors. These are respectively normally no greater than 7 times and 5 times the FTE salary range of a Grade 1 'Green Book' employee.
- 6.7 If recommendation 3.2 is approved then the top of the Strategic Director's salary band would be 6.5 times that of our lowest paid employee.
- 6.8 If recommendation 3.1 is approved then the top of the Assistant Director's salary band would be 4.9 times that of our lowest paid employee.

7. REVISED PAY SCALES

- 7.1 The recommendations, and reasons for them, are set out in detail within the attached EELGA report. The pay band recommendations have been developed in line with the Councils' Pay Policy of being "*adequate to secure and retain high quality employees, but at the same time needs to recognise that this is public money*".
- 7.2 EELGA recommend that the pay bands for the Assistant Directors, Strategic Director and Chief Executive be increased and simplified so that there are just three salary points within each band.
- 7.3 There is also a further simplification proposed which would amalgamate the additional payment currently made to two statutory officers (Chief Finance Officer and Monitoring Officer) into their base salary.
- 7.4 EELGA's recommendations are:
- that the salary for the Assistant Directors should be set at £78,000 to £90,000 with a scale of 3 points (£78,000, £84,000, and £90,000).
 - that the salary for the Strategic Director should be set at £100,000 to £120,000 with a scale of 3 points (£100,000, £110,000, and £120,000).
 - that the salary for the Chief Executive should be set at £140,000 to £160,000, with a scale of 3 points (£140,000, 150,000 and £160,000).
- 7.5 There has been further discussion of EELGA's proposals since they were originally published as part of the Council's meeting in September 2021. As a result, the recommendations have been amended, as set out in 3.1 to 3.7 above.

- 7.6 It is important to consider and address all of the EELGA recommendations so that the Council does not potentially store up a problem for the future; and in order to address retention as well as recruitment. However, the Chief Executive has requested that no changes are made to the salary arrangements for that role as part of this report, and the Leader has proposed that this is managed as a separate review later in 2022.
- 7.7 In order to try to avoid this situation developing again, it is proposed in recommendation 3.7, that alongside the annual review of the Pay Policy there is a detailed review of SLT salary bands at least every 4 years. This will prevent the kinds of timescales described in paragraph 6.4 from re-occurring.

As described above 7.1 the recommendations have been developed in order to be “adequate to secure and retain high quality employees, but at the same time needs to recognise that this is public money”. In relation to this latter point Council will be particularly mindful of the challenges faced by many residents in relation to general increases in the cost of living and the additional strain of energy costs which will impact people from April 2022. Councillors will be aware that the Government and the Council have put in place a variety of measures designed to support the most vulnerable residents.

8. LINKS TO CORPORATE PLAN

- 8.1 It is essential to the leadership and delivery of the Councils’ priorities that the Councils are able to continue to recruit and retain highly skilled and effective senior officers.

9. FINANCIAL IMPLICATIONS

- 9.1 As of January 2022, Babergh and Mid Suffolk jointly employ 579 officers; a full time equivalent of 525 officers. The combined salary budget, including on costs, is £21.2m. In anticipation of this report coming forward, indicative provision was made in the 2022/23 budget, approved by Full Council in February 2022, for the additional costs of implementing recommendations 3.1 and 3.2.
- 9.2 The costs of all officer roles, including those within the senior leadership team, are shared between Babergh and Mid Suffolk Councils. If the recommendations are approved, then those currently below the revised lowest pay band would be uplifted to the new lowest pay point. All other officers would be transferred across to their nearest new pay point. Any future progress within the revised pay bands would remain subject to performance delivery.
- 9.3 The Councils assume on costs of 33% on top of senior salaries. The annual financial impact for each council, including on costs, of implementing the recommendations, over the period 2022/23 to 2026/27 would vary from £5,848 to £18,288.
- 9.4 For the purposes of calculating these figures it has been assumed that the existing officers would progress annually up the revised pay scale until they reach the top of the grade. The salary of the existing Assistant Director, Corporate Resources has been replaced with that of the recent appointment. If there is any staff turnover within SLT during that period then the actual costs may be lower. These figures also assume an implementation date of 1st April 2022.

- 9.5 The cumulative financial impact of implementing the recommendations, again including on costs, between 2022/23 and 2026/27, would be up to £69,023 per council. The table below shows the combined costs for the Councils; each figure needs to be halved to see the impact per council.
- 9.6 Under the current grades incremental progression would take place at a total cost of £19,754 (£9,877 per council) over the 5-year period, so the net impact of the new grades over this same period would be £59,146 per council.

	<u>Existing</u> <u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
Total Basic Pay Cost	£ 781,207	£ 790,000	£ 817,500	£ 842,000	£ 863,500	£ 885,000
Basic Pay Increase		£ 8,793	£ 27,500	£ 24,500	£ 21,500	£ 21,500
Cumulative Basic Pay Increase		£ 8,793	£ 36,293	£ 60,793	£ 82,293	£ 103,793
Total Including Oncosts @ 33%	£1,039,005	£1,050,700	£1,087,275	£1,119,860	£1,148,455	£1,177,050
Increase including Oncosts		£ 11,695	£ 36,575	£ 32,585	£ 28,595	£ 28,595
Cumulative Increase		£ 11,695	£ 48,270	£ 80,855	£ 109,450	£ 138,045

10. LEGAL IMPLICATIONS

- 10.1 The recommendations contained within this report, including amendments to the Councils' Pay Policy, are in line with the requirements of the Localism Act 2011.

11. RISK MANAGEMENT

Risk Description	Likelihood	Impact	Mitigation Measures
If the salary ranges for the Chief Officers are set too low to attract suitable candidates or too high, then it could result in failure to recruit, or attract adverse publicity.	Probable - 3	Bad - 3	Adopted amended pay scales for SLT in line with recommendations from EELGA.
If the Councils are unable to recruit to one or more roles within the Senior Leadership Team for a prolonged period then this will impact upon the capacity to deliver key political projects or result in significant additional costs through the use of interims / consultants to fill the roles.	Probable - 3	Bad - 3	Adopted amended pay scales for SLT in line with recommendations from EELGA.
If the pay policy legal framework is not complied with, then it could make any appointments null and void.	Unlikely - 2	Bad - 3	Formal approval required and through annual reviews.
If the pay policy is not applied fairly to all staff, then this could lead to equal pay claims which could also result in successful tribunal claims, leading to reputational damage and costs to the organisation.	Unlikely - 2	Bad - 3	HR involvement to ensure that policy is applied equally.

12. CONSULTATIONS

12.1 Human Resources advice has confirmed that there is no requirement for staff consultation arising from the proposed recommendations. If approved recommendations 3.4 and 3.5 will result in subsequent consultation with relevant staff.

13. EQUALITY ANALYSIS

13.1 Human Resources advice has confirmed that there are no equalities issues arising from the proposed recommendations.

13.2 Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the Councils are required to report on their gender pay gap. The gender pay gap report does not have to be approved by Council. The report based on data as of 31 March 2021, with accompanying narrative, will as required be published on both Councils' websites under the transparency requirements before 31 March 2022. As the two Councils are sovereign bodies, a report must be published for each Council, but the combined data is more relevant due to the workforce being fully integrated.

14. ENVIRONMENTAL IMPLICATIONS

14.1 N/A

15. APPENDICES

Title	Location
(a) Structure chart	https://www.babergh.gov.uk/assets/ADMIN/ELT-Structure-Chart.pdf https://www.midsuffolk.gov.uk/assets/ADMIN/ELT-Structure-Chart.pdf
(b) EELGA salary benchmarking review and recommendations	Attached
(c) Pay Policy Statement	Attached

16. BACKGROUND DOCUMENTS

Babergh & Mid Suffolk Councils' 'People Plan'