

PERSONNEL COMMITTEE – 8TH JULY 2019

Report of the Head of Strategic Support

Part A

ITEM 3 CHIEF EXECUTIVE (HEAD OF PAID SERVICE) – SALARY REVIEW

Purpose of Report

To consider the findings and recommendations of an independent review of the salary for the Chief Executive (Head of Paid Service) undertaken by East Midlands Councils (EMC) HR Service.

Recommendations

1. That the Committee consider the recommendation made by East Midlands Councils that the current spot salary of £121,338 for any new appointment to the Chief Executive post be replaced with a graded salary range as follows, with annual progression being subject to satisfactory performance until the maximum grade point is reached:

Point 1: £125,000

Point 2: £130,000

Point 3: £135,000

Point 4: £140,000

2. That any changes the Committee considers should be made to the salary arrangements for the Chief Executive be recommended to full Council for approval by way of an amendment to the Pay Policy Statement for 2019/20.

Reasons

1. To consider the recommendations arising from a salary benchmarking review undertaken by East Midlands Councils in light of the ongoing recruitment process for a new Chief Executive to ensure the salary on offer is competitive and attractive to potential candidates.
2. To comply with the requirements of section 39 of the Localism Act 2011.

Policy Justification and Previous Decisions

The Pay Policy Statement for 2019/20 was approved by full Council at the meeting on 25th February 2019 included a spot salary for the Chief Executive post of £118,958, subject to the 2% agreed national pay award on 1st April 2019, taking it to £121,338.

The Pay Policy Statement can be amended with the approval of full Council during the year under the provisions of section 39 of the Localism Act 2011.

Implementation Timetable including Future Decisions

If the Personnel Committee wish to recommend any changes to the salary arrangements for a new Chief Executive, these would require amendments to be made to the Pay Policy Statement for 2019/20, which would require full Council approval.

This approval could be sought at the same special full Council meeting that will be required to approve any offer of appointment to the position of Chief Executive, and a meeting has been provisionally scheduled for 29th July 2019.

Report Implications

The following implications have been identified for this report:

Financial Implications

The additional costs associated with implementing the EMC recommendations, including on-costs for pensions and employer's NI, would range from £5,280 per annum at the lowest recommended pay grade up to £26,911 at the highest grade.

These costs would need to be met from savings across other budget headings during the current financial year, and addressed on an ongoing basis during the budget setting process for 2020/21.

Risk Management

The risks associated with the decision the Committee is asked to make and proposed actions to mitigate those risks are set out in the table below.

Risk Identified	Likelihood	Impact	Overall Risk	Risk Management Actions Planned
Failure to attract and retain suitable candidates due to not offering an attractive and competitive salary	Likely (3)	Significant (2)	Moderate (6)	As set out in this report
Negative reputational impact due to increasing the salary package for the role	Likely (3)	Minor (1)	Low (3)	This risk has to be weighed against the risk set out above in terms of failing to attract suitable candidates for such a highly significant and important role
'Trickle down' effects through job evaluation potentially raising other salaries in the Council and leading to further budget pressures	Likely (3)	Significant (2)	Moderate (6)	Any incoming Chief Executive is likely to wish to review the senior management structure, and any issues relating to job evaluation and salary differentials can be addressed at that time

Background Papers: None

Appendix: East Midlands Councils - Report for Charnwood Borough
Council Regarding Chief Executive Salary Review

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Part B

Background

1. As part of their support for the ongoing recruitment process for a new Chief Executive, EMC have undertaken a pay benchmarking review and have produced a report setting out their findings and recommendations, which is attached as an Appendix. Officers from EMC will attend the meeting to introduce their report and to answer questions.
2. As part of their review, EMC have compared the salaries for other Chief Executive positions amongst other district councils nationally, locally, and for those with similar population sizes to Charnwood.
3. Having undertaken the review, EMC have recommended that the Council should consider reviewing the current Chief Executive salary, and that the current spot salary of £121,338 should be replaced with a graded salary range as follows:

Point 1: £125,000
Point 2: £130,000
Point 3: £135,000
Point 4: £140,000
4. The current other additional elements of the salary package for the Chief Executive, including an essential car user allowance and Retiring Officer fees (subject to confirmation of appointment to that role by full Council), would remain unchanged.
5. Any changes to the salary for the position that the Committee may wish to support will be subject to approval by full Council as part of an amendment to the Pay Policy Statement for 2019/20.
6. The Council's job evaluation scheme is used to assess salary grades against posts with comparable responsibilities and skill requirements within the organisation. The Chief Executive post sits at the highest level within the officer salary grade, and as such it is for the Council to determine the salary arrangements for the post without needing to go through a specific job evaluation process. However, as set out in the risk management section of this report, an increase in the salary for the Chief Executive could result in a 'trickle down' effect on other salaries in the organisation and any incoming new Chief Executive may be required to address this, potentially as part of a review of the senior management structure.
7. For information, the relative population sizes of the other nearby local councils referred in the EMC report are as follows:

Council	Chief Executive Salary (per EMC report)	Population	Population Variance to Charnwood
Charnwood	£121,338 (current)	180,387	
Rushcliffe	£120,360	115,996	-36%
Hinckley & Bosworth	£115,588	111,370	-38%
Chesterfield	£113,123	104,400	-42%
North West Leics	£119,956 - £122,355	100,109	-44%
Blaby	£95,147 - £108,254	98,977	-45%
Melton	£98,838 - £109,242	50,873	-72%



Report for Charnwood Borough Council Regarding Chief Executive Salary Review

Introduction

East Midlands Councils is the body representing the interests of all local authorities in the region, and is also the Regional Employers' Organisation. As a member of East Midlands Councils, Charnwood Borough Council is able to access independent advice on employment issues.

We have been commissioned to help the Council recruit a new Chief Executive and, as part of this project, we have been asked to offer information and recommendations regarding the salary for the post.

The purpose of this report is to set out the findings of a pay benchmarking exercise that we conducted, along with our advice in relation to the salary of the chief executive role, within the context of recruiting a new chief executive.

Background

The salary paid by a chief executive is determined by the local authority and, for the purposes of good governance, decisions on pay and reward packages for chief executives should be made in an open and accountable way. The salary is also subject to any nationally negotiated pay awards.

Salaries are either paid at a single pay point or on a grade range, which has a minimum and maximum pay point and usually a small number of incremental pay points in between. The benefit of a single pay point is that it can limit costs. The advantages of a grade range are:-

- Greater flexibility. We don't know what the salary your preferred candidate is currently being paid, and a range offers the ability to offer a salary depending on the person and their expectations.
- Potentially helps to attract a wider pool of candidates when recruiting.
- Recognises the increased contribution that someone can bring to a role as experience and organisational knowledge increases over time. As long as a range has no more than 6 incremental pay points, there would be no risks of being indirectly discriminatory (based on age).

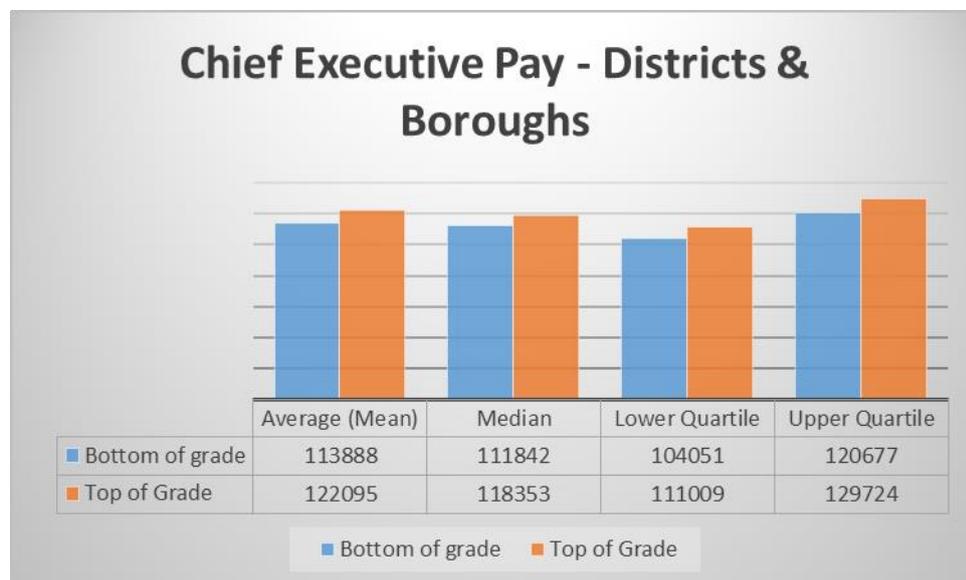
Pay Benchmarking

National Pay Benchmarking

East Midlands Councils has conducted a pay benchmarking exercise to provide a comparison of salaries of chief executive roles in comparable district/borough councils. The

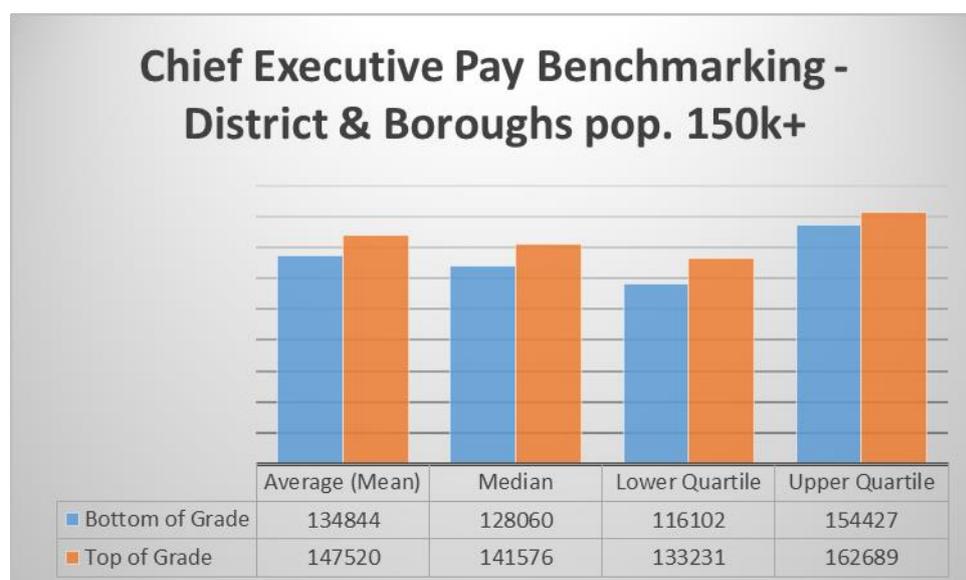
benchmarking is based on pay data held on a national database, E Paycheck, which holds real-time data for jobs in local government.

The following chart sets out average and quartile pay levels for chief executives across 55 different district and borough councils:-

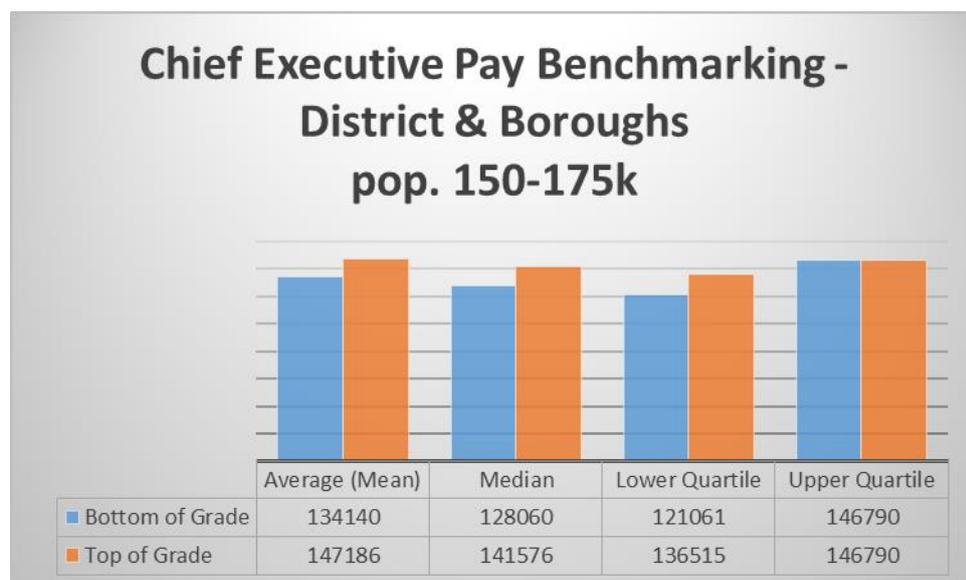


There was a wide range of salaries, from £88,000 to £178,000, generally reflecting the different sizes of authority.

Given such a wide range, we targeted district and borough councils with a similar population size to that of Charnwood. The sample consisted of 7 local authorities: Northampton Borough Council, Basingstoke & Deane Borough Council, Basildon Borough Council, Huntingdonshire District Council, Maidstone Borough Council, Chelmsford City Council, New Forest District Council. The results are provided in the following chart:-



Narrowing the focus further, to look at councils with a population band of 150,000 to 175,000, the results are fairly similar:-



It should be noted that linking population to salary is a very rough guide and is not always helpful. Candidates do not particularly view authorities with smaller populations as easier to run and therefore deserving a lower salary.

Area-based Benchmarking

Neighbouring councils all have a smaller population size than Charnwood. From their pay policy statements, pay levels were indicated as:-

North West Leicestershire	£119,956 - £122,355
Melton Borough Council	£98,838 - £109,242
Blaby District Council	£95,147 - £108,254
Hinckley & Bosworth Borough Council	£115,588
Rushcliffe Borough Council	£120,360
Chesterfield Borough Council	£113,123

Recommendations

When using benchmarking to set a salary level for recruitment purposes, then it would be recommended to look at a level at or around the average for the top of the pay grade and close to the upper quartile for the bottom of the grade. This is because when seeking to attract candidates, organisations need to set pay levels at a rate that would make it attractive for candidates of the appropriate calibre to leave their current roles and join a new organisation (approximately £10,000-£15,000 more than their current salary).

The salary should be seen in light of who the target market is for the role. For example, if the Council sees this role as ideal for someone's first Chief Executive position, then pitching

the salary closer to the lower quartile level or £15,000 higher than a typical Director salary may be sufficient. However, if the Council really wants to target candidates who are already working as chief executives, then it is recommended to offer a salary that is close to median pay levels for chief executive roles in similar organisations. Given the ambition of the Council, then an experienced chief executive is more likely to be your target audience for this role.

This will be an attractive role for candidates in non-financial terms, given the Council's situation and ambitions. It should not therefore be necessary to offer a salary at/above the upper quartile level of the benchmarked salaries.

Therefore it may be useful to look at a salary level of around £125,000 to £140,000.

It is recommended to consider a grade range, rather than a single pay point for the reasons set out above. The range could consist of 4 points, where the successful candidate is appointed to reflect their current salary level and, if not appointed at the top, progression is based on satisfactory performance each year until the maximum is reached.

Point 1:	£125,000
Point 2:	£130,000
Point 3:	£135,000
Point 4:	£140,000

Sam Maher

Director HR & Cllr Development

June 2019