

Thurrock: An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future

General Services Committee

The meeting will be held at **7.00 pm** on **27 June 2023**

Council Chamber, Civic Offices, New Road, Grays, Essex RM17 6SL

Membership:

Councillors Andrew Jefferies (Chair), John Kent (Vice-Chair), Deborah Arnold, Kairen Raper, Graham Snell, Luke Spillman and Lynn Worrall

Substitutes:

Councillors Paul Arnold, George Coxshall, Barry Johnson, Ben Maney, Valerie Morris-Cook, Sara Muldowney and Lee Watson

Agenda

Open to Public and Press

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1 Apologies for Absence	
2 Minutes	5 - 8
To approve as a correct record the minutes of General Services Committee meeting held on 7 February 2023.	
3 Items of Urgent Business	
To receive additional items that the Chair is of the opinion should be considered as a matter of urgency, in accordance with Section 100B (4) (b) of the Local Government Act 1972.	
4 Declarations of Interests	
5 Terms of Reference	9 - 12

Exclusion of the Public and Press

Members are asked to consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

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Public Session will now resume.

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Queries regarding this Agenda or notification of apologies:

Please contact Jenny Shade, Senior Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

Agenda published on: **19 June 2023**

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

When should you declare an interest *at a meeting*?

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

What is a Non-Pecuniary interest? – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

Unless you have received dispensation upon previous application from the Monitoring Officer, you must:

- **Not participate or participate further in any discussion of the matter at a meeting;**
- **Not participate in any vote or further vote taken at the meeting; and**
- **leave the room while the item is being considered/voted upon**

If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps

Non- pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature



You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.

Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay
 - High quality, consistent and accessible public services which are right first time
 - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
 - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future
 - Roads, houses and public spaces that connect people and places
 - Clean environments that everyone has reason to take pride in
 - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations
 - Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all
 - Commercial, entrepreneurial and connected public services

Minutes of the Meeting of the General Services Committee held on 7 February 2023 at 6.00 pm

Present: Councillors Mark Coxshall (Chair), Deborah Arnold (Vice-Chair), John Kent, Fraser Massey, James Thandi and Lynn Worrall

Apologies: Councillor Barry Johnson

In attendance: Ian Wake, Acting Chief Executive
Jackie Hinchliffe, Director of HR, OD & Transformation
John Jones, Director Law & Governance, and Monitoring Officer
Luke Tyson, Delivery and Strategy Manager
Jenny Shade, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

44. Minutes

The minutes of the General Services Committee meeting on 16 January 2023 were approved as a correct record.

45. Items of Urgent Business

There were no items of urgent business.

46. Declarations of Interests

There were no items of urgent business.

47. Representations to Government Directions issued in January 2023

The report provided background and details asking the Committee to comment on Thurrock Council's representations to government on the proposed expansion of Directions. As part of the representation period ending on 7 February 2023, interest parties were able to comment on the Directions the Secretary of State was 'minded-to' implement following the receipt of the Commissioners' first report and the interim findings of the best value inspection.

Councillor Worrall referred to page 2 under other matters of the letter regarding "novel intervention" and questioned why we were not getting a conventional approach and why were we being treated as a novel intervention as this did not feel right for the council. Ian Wake stated novel was the word used by the commissioners and was novel in two ways in that we had a best value inspection at the same time as directions where normally the best value

inspection would come first then directions afterwards. Secondly, the decision to appoint Essex County Council as the corporate body as the commissioners, generally you would get a lead named commissioner, but Government had appointed Essex County Council as the name commissioner in this case. Councillor M Coxshall stated the intervention had to be undertaken quickly, done at speed, and had to be done with not just one commissioner. As the council moved to a more conventional intervention more conventional rules would be required to understand where the council was going. The letter had explained that and would be made more public for the residents of the borough to see what decisions were being made.

Councillor J Kent referred to page 2 under other matters of the letter and quoted "pose some challenges that had not been experienced by authorities in intervention ..." and asked for some examples of the challenges that had been posed by this model. Councillor M Coxshall stated a challenge of the model as Leader was that this was new to Essex County Council, new to Thurrock and a new approach had to be designed which had been different to that envisaged in the 1999 Act. This was an opportunity to make it clear and open, so everyone knew the decision structure going forward. Ian Wake stated as Interim Chief Executive one of the challenges when the best value inspection was ongoing was the capacity and the additional demand on the organisation when trying to undertake a financial diagnostic at the same time. There was an expectation of further interventions as part of the best value inspection and had been an element of second guessing exactly what these would be and responding to commissioner demands. The letter identified that the council had worked collaboratively and positively with commissioners, but the additional complexity had been challenging.

Councillor J Kent stated he was not convinced that having a different model from the 2 September would have resolved any of those issues. He agreed the letter had been very open at asking that Essex County Council take on the role of the commissioner and questioned to what extent would the appointment of a managing director commissioner have in resolving those issues. Councillor M Coxshall stated openness, which was why the letter was being discussed this evening to ensure that everyone could see how the intervention would work. Once the best value inspection had been published in late February this would not remain a novel intervention but for all members and members of the public to understand how these works.

Councillor J Kent questioned whether the managing director commissioner would be named as the lead commissioner to which Councillor M Coxshall stated this would be a Secretary of State decision.

Councillor J Kent questioned whether there was any value in adding to the letter that we would welcome the managing director commissioner being the lead commissioner, that having two roles would add complexity rather than capacity. That his preference would be for one named person to be the managing director commissioner, having two roles may add some complexity that the council did not need, and this would be the opportunity to tell government. Councillor M Coxshall stated a lead commissioner, and a

managing director may work better and add more capacity. This model had been used in other areas with Councillor M Coxshall stating he was trying to make this more traditional, moving away from novelty. He thanked Councillor J Kent for the helpful suggestion which would make it easier for the council but questioned whether this would be moving back to another novelty.

Councillor Massey questioned whether these would be two full time roles to which Councillor M Coxshall stated the lead commissioner would write the commissioning report. Ian Wake stated these were two separate roles, a commissioning role and the other, a delivery role, both named as commissioners that would provide a strong link and a better model.

Councillor D Arnold commented regarding scrutiny and transparency this would be about timing and hoped this would be a priority within the memorandum of understanding.

Councillor J Kent confirmed he was content with the letter and stated it had been important to discuss its content.

Councillor M Coxshall thanked Members for their comments and confirmed the letter would now be submitted.

RESOLVED

General Services Committee commented on the letter of representations at Appendix 2 for submission to the Department of Levelling-up, Housing and Communities.

At 6.15pm, Luke Tyson left the meeting.

At 6.17pm the committee agreed to enter into exempt session in order to undertake interviews

48. Employment Matter

The Committee interviewed candidates for the Interim Director of Legal and Governance role.

RESOLVED

That Council be recommended to appoint Asmat Hussain to the post of Interim Director of Legal and Governance.

The meeting finished at 8.41 pm

Approved as a true and correct record

CHAIR

DATE

**Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk**

General Services Committee Terms of Reference	
Appointed by: The Council under section 21, Local Government Act 2000	Number of Elected Members: Seven
Chair and Vice-Chair appointed by: The Council	Political Proportionality: The elected Members shall be appointed in accordance with Political Proportionality
Quorum: Three elected Members	Co-opted Members to be appointed by Council: None
<p>Functions determined by Council:</p> <ol style="list-style-type: none"> 1. To advise the Council on the appointment or dismissal of, or the arrangements for the appointment or dismissal of, the Head of the Paid Service. 2. Save for the Monitoring Officer and Chief Finance Officer, to appoint or make arrangements for the appointment of Directors and Assistant Directors, whether on a permanent, interim or acting up basis, and to dismiss or make arrangements for the dismissal of Directors. 3. To appoint or to advise the Council on the dismissal of, or the arrangements for the dismissal of the Chief Finance Officer or the Monitoring Officer and before the Committee makes a decision to recommend the dismissal to the Council of the Head of Paid Service or the Monitoring Officer or Chief Financial Officer, the Committee shall appoint an Independent Panel to also advise the Council in relation to the dismissal of the Head of Paid Service, the Monitoring Officer or the Chief Finance Officer of at least two Independent Persons appointed under the Localism Act 2011 to take part in the decision, with priority to an Independent Person appointed by the Council and who is a local elector followed by an Independent Person appointed by the Council and finally an Independent Person appointed by another Authority. 4. To deal with any of the functions of the Council in relation to the employment of staff that are not dealt with by Officers under delegated powers, or which may be referred to them by an Officer waiving his/her power to make a decision, including powers to: <ol style="list-style-type: none"> 4.1 designate Officers (other than the Head of Paid Service) for specific statutory purposes 4.2 exercise the Council's power of suspension of a Statutory Officer, after taking appropriate legal advice 4.3 make decisions in respect of disciplinary action, executing dismissal which will be subject to a recommendation to and determination by the Council, in relation to Head of Paid Service, Monitoring Officer and Chief Financial Officer 	

- 4.4 appoint any Sub-Committee or panel or other body to exercise the Committee's powers in relation to staff grading, disciplinary, grievance or any other staffing matter
- 4.5 determine any other staffing matter that it is within the remit of the Council
- 4.6 determine any matter in respect of compromise agreements for Chief Officers or Deputy Chief Officers and superannuation
- 5. To settle cases of claimed or actual maladministration, etc.
- 6. To receive, for the purposes of early engagement, notification of proposals for any formal non-minor (1) restructure, permanent or temporary, that impacts on the line management or breadth of responsibility of any Director or Assistant Director, and (2) any role title changes to Director or Assistant Director.
- 7. To advise the Council on major changes to the Constitution.
- 8. Insofar as is within the remit of the Council, to make casual or urgent appointments to outside bodies.
- 9. To agree any arrangements for the appointment of a joint Overview and Scrutiny Committee under section 245, National Health Service Act 2006, and any regulations made thereunder.
- 10. To exercise the functions of the Council in relation to elections, parish and town Councils, vacancies and local bills.
- 11. To make recommendations to the Council in respect of any change to the electoral arrangements for the authority.
- 12. Any matter not delegated or referred to or coming under the remit of any other committee.
- 13. Subject to, and without prejudice to, the generality of the foregoing, to exercise the powers and functions of the Council in relation to the provisions referred to in column (2) of Schedule 1 to the Local Authorities (Functions and Responsibilities Regulations) (England) Regulations 2000 as amended, including the following legislation and any amendment and replacement thereof and any regulations made thereunder.
- 14. To exercise the Council's functions under any of the "relevant statutory provisions" within the meaning of Part 1 of the Health and Safety at Work etc. Act 1974, to the extent that those functions are discharged otherwise than in the Council's capacity as an employer.

Acts of Parliament:

- 15. European Parliamentary Elections Act 1978, Schedule 1, paras. 4(3) and (4)
- 16. Health and Social Care Act 2001, section 8
- 17. Local Government Act 1972, sections 10,11, 75, 86, 87, 91, 101, 112, 151 and 239
- 18. Local Government Act 2000, section 82
- 19. Local Government and Housing Act 1989 sections 4(1) and 5(1)
- 20. Local Government and Rating Act 1997
- 21. Representation of the People Act 1983, sections 8(2), 18, 31, 35, 39(4), 52(4), 54, 106, 112, 135, 151, 270(3) and Schedule 12, para. 42
- 22. Representation of the People Act 1985, section 21
- 23. Representation of the People Act 2000, sections 10 and 93

24. Superannuation Act 1972, sections 7, 12, and 24
25. Localism Act 2011 Subordinate Legislation:
26. Commons Registration (General) Regulations 1966
27. Commons Registration (New Land) Regulations 1969, Reg. 6
28. Local Election (Parishes and Communities) Rules 1986 Local Elections (Principle Areas) Rules 1986

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27 June 2023	ITEM: 7
General Services Committee	
Pay Policy 2023/24 – Senior Manager Pay	
Wards and communities affected: N/A	Key Decision: N/A
Report of: Andrew Brown – Strategic Lead Pay & Operations	
Accountable Assistant Director: Andrew Brown – Strategic Lead Pay & Operations	
Accountable Director: Jackie Hinchliffe – Director of HR, OD & Transformation	
This report is Public	

Executive Summary

The Localism Act 2011 requires the Council to publish an annual Pay Policy Statement for chief officers, which must be approved by Council by 31 March each year. The Council’s Pay Policy Statement for 2023/24 was approved by Council on 1 March 2023, this applied a 4% pay increase for Grades A-I. Within the report it specified that senior manager pay would be considered in a subsequent report to Council.

This report sets out the position regarding pay for Senior Managers. Pay for senior managers is governed by the ‘Pay Strategy and Pay Policy’ which was implemented in 2010, an annual review is conducted each year to determine pay awards. The policy applies to Assistant Directors, Directors and the Chief Executive.

The independent assessment this year recommends a 4% increase in the pay clusters for senior management pay. This, alongside other options, are set out in sections 3.2 and 3.3 of this report.

General Services Committee are asked to consider options and determine a recommendation to Council in July.

Commissioner Commentary

The Council’s Section 151 Officer has issued a s114 notice which places restrictions on what the Council can spend to ensure that the Council will be able to balance its budget in the future. However, the Council is permitted to continue spending on existing staff payroll and pension costs, and on existing legal agreements and contracts.

The Council has a Pay Strategy and Pay Policy that requires an annual review of salaries for senior managers to be undertaken and a recommendation submitted to General Services Committee and Council for approval. The purpose of the review is to ensure senior manager pay at Thurrock remains competitive. The review to determine 2023/24 salaries is particularly challenging taking place during a period of high levels of inflation and employers competing for talent in a tight labour market alongside the implications of the s114 notice.

The senior manager pay review aligns with the theme of Leadership and Culture within the Improvement and Recovery Plan (IRP) as part of the key workstream of enabling organisational capability. This need to ensure senior manager capacity to deliver the IRP needs to be considered alongside the financial and wider implications of the s114 notice.

The Council will review the approach to senior manager pay to ensure the design of senior corporate leadership roles and the attributes required to undertake them, as well as their remuneration, is delivered alongside the design and implementation of the future operating model.

1. Recommendation(s)

1.1 Consider the legislative and policy background to the annual senior manager pay review (section 2).

1.2 Consider the outcome of the annual review and benchmarking (section 3.1).

1.3 Consider context in which this year's review is taking place (section 3.2).

1.4 Consider benefits, risks and legal implications for options presented (section 3.3).

1.5 Determine a preferred option to recommend for inclusion in the revised annual Pay Policy statement for approval at Council in July 2023.

1.6 Note the commitment to undertake a wider review of pay and reward in the Council, including senior manager pay and arrangements for determining on-going annual pay settlements.

2. Introduction and Background

2.1 The Localism Act 2011 requires Councils to publish an annual Pay Policy Statement for Chief Officers. The statement must be approved by Full Council by 31 March each year.

2.2 The 2023/24 Pay Policy Statement, agreed at Full Council on 1 March 2023, did not include the annual pay award for Senior Managers. Further information and analysis of options was required before the award could be determined.

- 2.3 Senior Manager pay arrangements are governed by the 'Pay Strategy and Pay Policy for Senior Managers'. Implemented in 2010, the Senior Manager pay scales comprise a single pay cluster for the Chief Executive, five for Director roles and five for Assistant Director roles. The Council currently has a Managing Director Commissioner, so the Chief Executive cluster is not included in this year's report. The scales currently cover 27 roles. The current 10 senior pay bands are shown in Appendix 1, which includes the level of salaries for different levels of increase. The pay structure covers all pay elements. No performance pay or car allowance is paid in addition.
- 2.4 The Pay Strategy and Pay Policy for Senior Managers sets out how pay grades and salary levels are determined:
- *The 'normal' pay for each post is derived by taking a median point of the salary data for similar positions, weighted 50% towards Unitary Authorities and 50% towards London Boroughs.*
 - *The market median pay points will be reviewed in February of each year and adjusted to forecast pay for 1 April.*
 - *There will be no other 'cost of living' increase. The annual review of market pay points replaces the NJC arrangements in place prior to 1 April 2010.*
- 2.5 The market median pay points are reviewed each year to forecast the applicable figure for 1 April. The pay assessments are undertaken by an independent body which provides the Council with a recommendation.
- 2.6 Since 2010 the Council have used an independent body – Total Reward Projects Ltd – to conduct the annual review of salary levels and submit a report and recommendation to the Council. The purpose of the independent assessment is to ensure the Council's pay levels represent good value, are transparent, fair, and competitive.
- 2.7 However, the context for the 2023/24 is different to previous years following the s114 notice, which requires greater scrutiny as set out below:
- Financial - ensuring a pay settlement represents value for money in terms of comparative levels of reward offered to senior managers and recruitment and retention leadership capacity needed to take the Council forward.
 - Community – ensuring any increase does not cause reputational damage and the need to maintain confidence of residents and businesses in light of a 10% increase in Council Tax, high inflation and concern over the future of services provided.
 - Values – balancing the need to give senior managers a fair level of reward that recognises their worth whilst postholders demonstrate a commitment to lead in challenging circumstances motivated by the Council's values and ethics of public service, not just remuneration.

3. Issues, Options and Analysis of Options

3.1 Annual review and benchmarking

3.1.1 Based on the methodology set out in 2.4 above, the recommendation from the independent assessors for 2023/24 is to increase the senior manager pay scales by 4%. Their report is attached as Appendix 2.

3.1.2 The outlook for pay settlements in 2023 remains unpredictable. The cost-of-living crisis, inflation around 10% and industrial action across many sectors presents a volatile environment for pay settlements, particularly in the public sector.

3.1.3 National pay claims from the Trade Unions representing Chief Executives and Chief Officers are:

- For Chief Executives - a percentage increase matching the top of the NJC scales plus matching increase in annual leave.
- For Chief Officers - RPI + 2% (currently 12.4%) plus additional annual leave.

3.1.4 The national employers have offered Chief Executives and Chief Officers an increase of 3.5%, this has been accepted by Chief Officers. The wider NJC offer is a further flat rate increase of £1,925 with a minimum increase of 3.88%. Trade Unions will be balloting their members but are recommending rejection.

3.1.5 Senior Pay in Thurrock is not directly linked to the national negotiations but determined through the market assessment set out in 2.5. and 2.6 above. Details of 4 previously agreed increases and the outcome of the review for 2023/24 compared to the national pay award for Chief Officers is set out in table 1 below.

Year	National Award	Thurrock Award
2019/20	2.0%	2.0%
2020/21	2.75%	2.0%
2021/22	1.50%	0.0%
2022/23	£1925 = 1.77% (average) (range is 1% - 2.5%)	2.25%
2023/24	3.5% (national offer)	4.0% (recommendation)
Total	11.52% (range 10.75% - 12.25%)	10.25%

Table 1 – National and Thurrock Pay Awards 2019/20 to 2023/24

3.1.6 The above shows that the annual review process used by the Council based on analysis of median market salaries has not kept pace with the national pay

awards. The main reason for this is the outcome of the 2021/22 review which awarded no increase compared to 1.5% nationally.

3.1.7 Table 2 sets comparative salaries in selected other authorities as at 2022:

Council	CEX	Directors	Assistant Directors	2023 Increase
Thurrock	186,000.00	107,000.00 – 144,500.00	80,000.00 – 102,500.00	TBA
Medway	168,685.00	115,000.00 – 135,532.00	85,000.00 – 92,653.00	TBA
Croydon	192,474.00	134,750.00 – 150,547.00	94,968.00 – 119,646.00	3.5% min
Waltham Forest	201,159.00 – 217,762.00	101,276.00 – 176,925.00	86,599.00 – 97,899.00	3.5% min
LBBB	184,557.00	90,825.00 – 160,832.00	Not available	3.5% min
Slough	147,179.00 – 176,232.00	100,617.00 – 141,371.00	62,379.00 – 97,948.00	3.5% min
Luton	189,491.00 – 206,093.00	130,197.00 – 142,147.00	96,127.00 – 101,649.00	3.5% min
Havering	183,299.00 – 190,100.00	123,686.00 – 163,529.00	84,947.00 – 115,937.00	3.5% min
Southend	188,237.00	125,152.00	96,544.00	TBA

Table 2 – Comparative Salaries as at 2022

3.1.8 Although direct comparisons of some salary ranges are challenging, as councils classify their structures in different ways, the benchmarking provides an indication of senior salary levels in other unitary councils, councils in intervention and London Boroughs.

3.1.9 The cost of increasing senior manager pay is £34,000 for every 1%. To implement the 4% recommendation would cost the council £136,000.

3.2 Options - Context

3.2.1 Four options have been assessed:

- A) Pay the 4% increase recommended in the independent assessment
- B) Match the 3.5% national pay offer to Chief Officers
- C) Apply a lower % increase determined by the Council
- D) Offer no increase

A full analysis of the costs, risks and benefits are set out in section 3.3. below. The Council's current context is an overarching consideration in the determination of the senior manager pay award for 2023/24. The Council is in intervention and has issued a s114 notice as is it unable to balance the budget without exceptional financial support. Government support will be required for several years.

- 3.2.2 The Government directions issued in March provide for the Commissioners to determine the senior structure and roles, the Managing Director Commissioner will be considering the structure in the next few months. The new organisational model will inform the capabilities and reward strategy required for the medium to long-term.
- 3.2.3 In the short-term, the Council needs to continue to attract and retain the skills and capacity to deliver the Improvement and Recovery Plan, provide corporate leadership through a period of unprecedented change and transformation required to stabilise the council and bring about sustainability. A competitive reward package will be an essential component of an overall package of attracting and retaining appropriate talent that includes factors such as a positive work culture, opportunity to lead transformation and deliver services for the benefit of the community along with professional and personal growth.
- 3.2.4 In addition to having competitive and attractive salaries, the Pay Award under consideration relates to the increase effective from 1 April 2023. Provision has been made in the Council's budget for a 4% pay increase in 2023/24. The Council have agreed to conduct a review of pay and reward in 2023, this will include a review of the pay policy for senior managers. The review will include an analysis of the advantages and disadvantages of local negotiation of pay awards compared to being part of national collective bargaining machinery. Details of the review are set out in a separate report.

3.3 Options Analysis

A) Pay the 4% increase recommended in the independent assessment

Financial cost - £136,000, most expensive option.

Benefits - In line with the Council's custom and practice and follows the median benchmarking model contained in the Senior Manager Pay Strategy and Pay Policy. Levels of engagement and motivation of senior manager cohort unlikely to be negatively impacted. Slightly higher than national offer so will support the Council's ability to recruit and retain. Increase also matches the award for the rest of the workforce, may be seen as a demonstration the Council values its senior cohort equally. No risk of legal challenge.

Risks - Higher than national pay offer, likely to result in reputational damage if the Council gives a higher level of increase than comparators in the majority of local authorities. Strong possibility would be viewed by community and other stakeholders as reward for organisational failures which are likely to be perceived externally as attributable to both individual and collective leadership responsibilities.

B) Match the 3.5% national pay offer to Chief Officers

Financial cost - £119,000 - £17,000 less than option A.

Benefits – Slightly lower than the increase recommended by the independent assessment so unlikely to adversely affect the engagement and motivation of senior the manager cohort provided there is a rationale for decision e.g. reasons for equity with the sector versus majority of the workforce. Increase would be in line with the national offer, which was made on a final offer basis. Based on previous settlements, unrealistic to expect any improved offer from National Employers. An offer made at the same level of increase as that of the wider sector is less likely to be view by stakeholders as excessive rewards for the highest paid.

Risk – The narrow gap that has occurred between the accumulative impact of Thurrock’s senior manager and national pay awards would remain. Reinforces the need for a review of the annual pay review process and the respective merits of local versus national pay bargaining. Any pay award that falls below expectations can result in disengagement and increased turnover which in turn may result in additional associated costs. However, pay is rarely the only factor that influences such decisions. Some potential for legal challenge for an increase that does not exactly match the independent assessment. Given the difference is 0.5%, costs of litigation more than likely outweigh the benefits.

C) Apply a lower % increase determined by the Council

Financial cost - £68,000 if 2% - half the amount option A.

Benefits – settlement demonstrates restraint and avoids perception of unjustified financial rewards for the highest paid 1% of the workforce. Short-term financial benefit to the pay bill, possibility of adverse impact in medium to long-term dependent on individual responses and motivations influencing recruitment and retention decisions.

Risk – Significantly lower than the increase recommended by the independent assessment so strong possibility that initial reaction will be a negative response from the senior manager cohort. Subsequent decisions and levels of engagement and motivation are more likely to be influenced by wider personal and professional considerations at an individual level. Short-term increase in turnover could result in loss of leadership and organisational knowledge impacting capacity to deliver recovery plan and shaping new organisational model. Perception of future applicants may not be favourable, but direction of travel for the Council and placing a commitment on record to review future basis for determining pay settlement and a wider review of pay and reward will consider relative market position for the overall employee value proposition. The larger the gap between the offer and the independent recommendation (option A), the greater the benefit to be gained from a successful legal challenge.

D) No increase

Financial cost - £0.

Benefits – settlement fully demonstrating restraint to the community and other stakeholders. Immediate benefit on pay bill may not be sustainable in medium and longer-term if turnover increases and results in additional costs.

Risk – Least favourable option from perspective of senior manager cohort and therefore the greatest risk to the stability of existing leadership and capacity to delivery recovery plan. Initial adverse response more likely to occur and continue, possible impacts on others part of the workforce if leaders appear to be dissatisfied. Salary is a core benefit and if it is not maintained at a level individuals perceive as fair value for their experience, skills and commitment or competitive in the sector, the more likely that it will influence their decision-making and turnover. Reputation in recruitment context could be unfavourable. A commitment to reviewing pay and the basis of future settlements may be less persuasive and reassuring about longer-term competitiveness and recognition of senior managers. There will be a tipping point at which the majority will give less weight to non-pay issues, the precise level cannot be predicted with any accuracy. If there is a high degree of uncertainty amongst the senior manager cohort from the personal consequences of the implementation of a new organisational model, there will be concern about the impact of benefits associated with potential redundancies and pension benefits. This option carries the greatest risk of legal challenge and financial gains if potential claims were successful.

4. Reasons for Recommendation

- 4.1 The options set out above provide a range of outcomes, along with their respective benefits and risks, to enable a decision to be made for the annual senior manager pay review. A review is required to comply with contractual requirements and the provisions of the Senior Manager Pay Strategy and Pay Policy. The annual review provides a means to ensure consideration is given to the Council continuing to be an attractive employer in a competitive market whilst ensuring value for money.
- 4.2 The options are to be given due consideration taking into account the associated risks and benefits of each. In addition to the above analysis, legal implications need to be taken into account before reaching a decision. These are set out in section 7.2 below.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 The recommendations set out within this report are required to be referred for decision by General Services Committee and Council.

6. Impact on corporate policies, priorities, performance, and community impact

- 6.1 The Annual Pay Policy Statement 2023/24 will be updated to reflect the option selected regarding senior managers pay.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Interim Director of Finance and S151

There is sufficient growth built into the Medium-Term Financial Strategy that covers the costs that arise from the options set out within this report.

Given that the Council is operating under a s114 notice any use of this budget will need to be considered at the time of a pay award being given.

7.2 Legal

Implications verified by: **Asmat Hussain**
Interim Director of Legal and Governance (MO)

Sections 38 to 43 of the Localism Act 2011 require Councils to prepare a Pay Policy Statement for each financial year and the Secretary of State, pursuant to section 40, has issued both the original Pay Accountability Guidance in February 2012 and a supplementary guidance in February 2013. The Pay Policy for 2023/24 was agreed at Council on 1 March 2023. This report focuses specifically on the recommendation for senior managers pay and legal advice has been provided in this regard which sets out that the Council has an obligation to conduct a review for senior managers as detailed within the terms and conditions of the employment contract.

The Council's Chief Finance Officer has issued a s114 notice which places restrictions on what the Council can spend to ensure that the Council will be able to balance its budget in the future. However, the Council is permitted to continue spending on existing staff payroll and pension costs, and on existing legal agreements and contracts.

The legal status of Thurrock's Pay Strategy and Pay Policy is set out in the body report with an assessment of the options available and their associated risks and benefits. Expenditure in relation to the annual senior manager pay review falls into the category of an exceptional reason for spending to be agreed.

The legal advice was that the terms of the senior managers' contract of employment mean that the Council is obligated to carry out an annual review

of pay with reference to the market median pay points and failure to do so would be a breach of contract.

The provisions contained within Thurrock's Senior Manager Pay Strategy and Pay Policy are not considered by Legal Counsel to be incorporated into the contract of employment. Therefore, the fact that the Council has issued a s114 notice does not mean it can rely on affordability as a reason to depart from the obligation to carry out the annual review.

Failure to pay the increase may result in claims being submitted for unfair constructive dismissal, breach of contract and/or unlawful deductions from wages.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Community Development and Equalities

The options set out within this report have been independently assessed based on agreed factors within the Pay Strategy and Pay Policy. This includes the fulfilment of responsibilities set out in the Equality Act 2020 and Public Sector Equality Duty.

All information regarding Community Equality Impact Assessments can be found here: <https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

7.4 Other implications (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

No other significant implications have been identified.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- [Annual Pay Policy Statement 2023/24](#)

9. Appendices to the report

- Appendix 1 – Current and Modelled Senior Manager Pay Scales Senior Manager Pay Scales
- Appendix 2 – Senior Pay Review, Thurrock Council, January 2023

Report Author:

Andrew Brown

Strategic Lead Pay and Operations, HR, OD and Transformation

Appendix 1 – Current and Modelled Senior Manager Pay Scales

Senior officer pay bands have 3 pay points. They are a:

- **lower point** for a post-holder with sufficient competence or experience but with some development needs – this is expected to apply to some appointments at the time of recruitment
- **median point** for a fully competent and appropriately experienced or qualified post-holder – this is expected to apply to most appointments
- **higher point** for an exceptional post-holder – the difference between the median and higher point will be paid only as an additional non-consolidated payment for 'exceptional' performance

Current - 2022/23			
Pay scale	Lower point	Median point	Higher point
AD1	£75,500	£80,000	£87,500
AD2	£80,000	£88,000	£92,500
AD3	£85,000	£95,000	£98,000
AD4	£90,500	£99,000	£102,500
AD5	£92,500	£102,500	£106,500
DIR1	£96,000	£107,000	£109,500
DIR2	£102,500	£112,500	£118,000
DIR3	£114,500	£128,000	£131,000
DIR4	£123,000	£137,000	£144,000
DIR5	£132,000	£144,500	£154,000

2% Increase			
Pay scale	Lower point	Median point	Higher point
AD1	£77,000	£81,500	£89,500
AD2	£81,500	£90,000	£94,500
AD3	£86,500	£97,000	£100,000
AD4	£92,500	£101,000	£104,500
AD5	£94,500	£104,500	£108,500
DIR1	£98,000	£109,000	£111,500
DIR2	£104,500	£115,000	£120,500
DIR3	£117,000	£130,500	£133,500
DIR4	£125,500	£139,500	£147,000
DIR5	£134,500	£147,500	£157,000

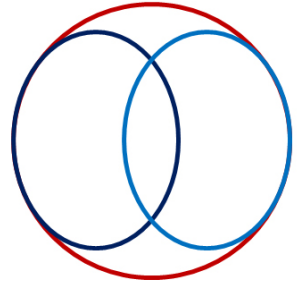
3.5% Increase			
Pay scale	Lower point	Median point	Higher point
AD1	£78,000	£83,000	£90,500
AD2	£83,000	£91,000	£95,500
AD3	£88,000	£98,500	£101,500
AD4	£93,500	£102,500	£106,000
AD5	£95,500	£106,000	£110,000
DIR1	£99,500	£110,500	£113,500
DIR2	£106,000	£116,500	£122,000
DIR3	£118,500	£132,500	£135,500
DIR4	£127,500	£142,000	£149,000
DIR5	£136,500	£149,500	£159,500

4% Increase			
Pay scale	Lower point	Median point	Higher point
AD1	£78,500	£83,000	£91,000
AD2	£83,000	£91,500	£96,000
AD3	£88,500	£99,000	£102,000
AD4	£94,000	£103,000	£106,500
AD5	£96,000	£106,500	£111,000
DIR1	£100,000	£111,500	£114,000
DIR2	£106,500	£117,000	£122,500
DIR3	£119,000	£133,000	£136,000
DIR4	£128,000	£142,500	£150,000
DIR5	£137,500	£150,500	£160,000

Pay scale abbreviations are:

- AD – assistant director
- DIR – director

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**Total Reward
Projects Ltd**

SENIOR PAY REVIEW THURROCK COUNCIL

January 2023

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Appendix A: Table - Chief Officer Pay Scales 2023/24

1. Introduction

- 1.1 In line with its senior pay policy implemented in 2010, Thurrock Council (the Council) has commissioned Total Reward Projects Ltd to review the market assessment of pay levels for its senior officers, and to confirm or reassign each post to its appropriate level (pay cluster) within the current senior pay structure, with an effective implementation date of 1 April 2023.
- 1.2 The structure comprises a single pay cluster for the Chief Executive; five for posts of director; and five for posts of assistant director. The total cadre of the senior structure covered by this report comprises 27 posts.

2. Background

- 2.1 This year's annual pay report comes at an incredibly difficult time for the Council. At a time when all local authorities are facing significant increases in demand for essential services caused by the cost-of-living crisis that many households are facing, the Council is beset by a very serious financial problem. In light of serious concerns about the Council's unsustainable levels of financial risk and debt, in September 2022 the government appointed Essex County Council as Commissioners to take control of the Council's finances. The Council has since announced plans to recover from this grave financial position; in December 2022, the Council issued a 'Section 114' notice, which means that it must only carry out the spending required to provide essential services to its residents, pay staff and meet its legal duties. This measure was necessary because the Council was not able to balance its budgets for the financial years of 2022/23 and 2023/4. A report presented at an Extraordinary meeting of the Council's Cabinet revealed that in the year from April 2022 to March 2023 the Council expected investment losses totalling £275.4 million with a further £129.2 million to be set aside to repay investment debt, which together creates a funding deficit £469.6 million. As a consequence, the Council's chief executive resigned, and the Director of Finance has been suspended. A special meeting of the full Council is scheduled to take place on Monday 9 January 2023 to discuss the notice, the council's response and the proposed plan to meet the financial challenge it faces.

3. Chief Officers' Pay in Local Authorities

- 3.1 With effect from 1 April 2022, the two Joint National Committees for Chief Executives and Chief Officers respectively recently confirmed a final pay settlement which entailed a flat rate pay increase of £1,925 per annum for all chief executives and chief officers in those local authorities in England and Wales tied to the national pay bargaining arrangements. This is the same figure achieved by the 2022 NJC settlement, which covers local authority employees below the level of chief officer. Although the quantum of the settlement for chief executives and chief officers is the same as that awarded to all other staff, the effect is that it represents a pay increase of less than 1% for the most senior employees compared with an average of 4.7% for other local authority employees. This outcome is especially disappointing for the body that represents local authorities, ALACE, which claimed that the Employers have not heeded its call for chief executive salaries in local government to remain competitive. In a letter to the Secretary of the JNC the Secretary of ALACE pointed out that switching to a pay offer based on a cash amount rather than a

percentage in no way reflected the high level of inflation. By way of comparison, ALACE also referred to the more generous settlements for senior employees elsewhere in the public sector such as senior NHS officials, senior military officers were awarded a 3.5% pay increase in 2022; judges received an increase of 3.0%; NHS consultants and doctors received a 4.5% pay increase and headteachers of schools a 5% pay increase.

- 3.2 Chief executives and chief officers of opted-out local authorities not covered by the two JNC pay bargaining arrangements for senior officers fared better in 2022 than their peers covered by the JNC settlements. XpertHR reported that the median pay settlement was 2.0% for both chief executives and chief officers was 2.0% within an interquartile range of 2.0% to 3.9%.

4. Pay Assessments

The outcome of the median pay assessments for each of the senior posts within the Council’s senior structure is shown in the table below. The first column identifies each post by job title; the second gives the post holder’s current cluster pay; the third column shows the assessed median total pay for the post as at 1 April 2023; the fourth and final column shows the proposed median pay cluster value with effect from 1 April 2023.

Post	Current Cluster Pay	Assessed Median Total Pay at 1 April 2023	Proposed Cluster Pay at 1 April 2023
Chief Executive	£186,000	£193,500	£193,500 (CEO)
Corporate Director – Children’s Services	£144,500	150,500	£150,500 (DIR5)
Corporate Director - Adults, Housing and Health Team	£137,000	142,500	£142,500 (DIR4)
Corporate Director – Resources and Place Delivery.	£137,000	£142,500	£142,500 (DIR4)
Director – Public Realm	128,000	133,000	£133,000 (DIR3)

Director – Place	£128,000	£133,000	£133,000 (DIR3)
Director - Public Health	£112,500	£117,000	£117,000 (DIR2)
Director - HR, OD and Transformation	£112,500	£117,000	£117,000 (DIR2)
Director – Strategy, Engagement and Growth	£112,500	£117,000	£117,000 (DIR2)
Director - of Legal & Governance	£112,500	£117,000	£117,000 (DIR2)
Assistant Director - Education and Learning	£102,500	£106,500	£106,500 (AD5)
Assistant Director – Children’s Social Care and Early Help	£102,500	£106,500	£106,500 (AD5)
Assistant Director – Adults, Social Care and Community Development	£102,500	£106,500	£106,500 (AD5)
Assistant Director – Planning, Transport and Public Protection	£102,500	£106,500	£106,500 (AD5)
Assistant Director – Finance	£102,500	£106,500	£106,500 (AD5)
Integrated Care Director	£102,500	£106,500	£106,500 (AD5)
Director – National investigation Service	£102,500	£106,500	£106,500 (AD5)

Assistant Director – Regeneration and Place Delivery	£99,000	£103,000	£103,000 (AD4)
Assistant Director - Consultant in Public health	£95,000	£99,000	£99,000 (AD3)
Assistant Director – Counter Fraud, Community Safety and Resilience	£95,000	£99,000	£99,000 (AD3)
Assistant Director – Street Scene and Leisure	£95,000	£99,000	£99,000 (AD3)
Assistant Director – Property	£95,000	£99,000	£99,000 (AD3)
Assistant Director - Housing Management	£95,000	£99,000	£99,000 (AD3)
Assistant Director of Economic Growth and Partnerships	£95,000	£99,000	£99,000 (AD3)
Assistant Director of Health and Social Care	£95,000	£99,000	£99,000 (AD3)
Assistant Director Highways, Fleet and Logistics	£88,000	£91,500	£91,500 (AD2)
Assistant Director – Customer Service	£88,000	£91,500	£91,500 (AD2)

5. Finding

- 5.1 There has been some reconfiguration of the senior leadership team in 2022 in what has been a turbulent year. A director has temporarily stepped up to fill the vacant post of Chief Executive and senior interim arrangements put in place to support the Council's recovery and improvement.

6. Recommendation to Thurrock Council

- 6.1 In our annual pay report covering the Council's employees below the level of chief officer we have recommended that the Council increase pay by 4.0% with effect from 1 April 2023 for all employees. At this difficult time the Council will require full commitment from its senior officers and we therefore believe that they should be treated no less favourably than other employees across the Council. We therefore recommend that, with effect from 1 April 2023, the Council increases pay for all its senior officers by 4.0%. The revised pay cluster values in the Council's senior pay structure are set out in **Appendix A**.

Mark Fry and John Kirkwood

Total Reward Projects Ltd

Appendix A

Thurrock Council

Chief Officer Pay Scales 2023/24

	50/50% Lower Base Pay		50/50% Median Base Pay		50/50% Higher Base Pay	
	SCP	Annual Pay £	SCP	Annual Pay £	SCP	Annual Pay £
CEO	31	176,500	32	193,500	33	206,000
DIR5	28	137,500	29	150,500	30	160,000
DIR4	25	128,000	26	142,500	27	149,000
DIR3	22	119,000	23	133,000	24	136,000
DIR2	19	106,500	20	117,000	21	122,000
DIR1	16	100,000	17	111,500	18	113,500
AD5	13	96,000	14	106,500	15	110,500
AD4	10	94,000	11	103,000	12	106,500
AD3	7	88,500	8	99,000	9	102,000
AD2	4	83,000	5	91,500	6	96,000
AD 1	1	78,500	2	83,000	3	91,000

27 June 2023		ITEM: 8
General Services Committee		
Pay and Reward Review		
Wards and communities affected: N/A	Key Decision: N/A	
Report of: Tina Dempsey, Strategic Lead, People and Organisational Development		
Accountable Assistant Director: N/A		
Accountable Director: Jackie Hinchliffe, Director HR, OD and Transformation		
This report is Public		

Executive Summary

The Council have issued a S114 and all measures to reduce spend or avoid cost need to be pursued. The employee budget represents the largest spend within the council. Additional pressure on the employee budget arose as a result of the higher-than-expected NJC award in 2022/23 and the Council will be facing the same situation in 2023/24. In order to mitigate the pressure a review of pay was agreed by Council in January 2023. An initial scoping exercise has been undertaken to identify workforce expenditure that can potentially provide savings opportunities. However, more detailed analysis needs to take place over the next few months with comprehensive recommendations to further reduce our workforce expenditure.

The opportunities identified have been assessed to show the current level of expenditure, the type of organisation change required to achieve a reduction along with associated benefits, risks and timescales for delivery.

Commissioner Commentary

The Council's Section 151 Officer has issued a s114 notice which places restrictions on what the Council can spend to ensure that the Council will be able to balance its budget in the future. However, the Council is permitted to continue spending on existing staff payroll and pension costs, and on existing legal agreements and contracts.

A review of pay arrangements needs to be carried out, including policies and all allowances, to ensure all opportunities for mitigating pay pressures and growth can be considered.

1. Recommendation(s)

- 1.1 To agree the scope and timescale of the pay and reward review as recommended in the 2023/24 Pay Policy**
- 1.2 Immediate cessation of all discretionary payments to reduce avoidable costs**
- 1.3 Review of Performance Management council wide.**

2. Introduction and Background

- 2.1 In 2019 the council carried out the Modernising Reward project over two phases. The first phase implemented in 2019/20 saw significant investment in the pay structure and introduced a new pay structure that better represented roles and the market and met the standards of the Equality Commission.

Phase 2 in 2021 focused on changes to allowances, with the deletion of business user allowance and changes to shift, standby and overtime allowances.
- 2.2 To date the workforce savings as set out in the MTFS have been realised through the 2019 Pay review, vacancy control, recruitment freeze and service restructures. The council's financial position dictates that a further savings need to be achieved within 23/24 to reduce costs in 24/25.
- 2.3 Our pay bill is the Council's highest spend and as a result of the NJC pay awards has seen additional spend and pressure in 2022/23, this is likely to be repeated in 2023/24. In 2022/23 this resulted in a spend of £98.402m, an overspend of £1.772m against the general fund employee budget. The additional cost of the NJC change to the in-year pay policy was £2.032m, so this was partly mitigated in year. There was also a centrally held vacancy factor of £3m which was also achieved. To continue to mitigate the additional pressures and to ensure our pay structures and allowances are reflective of the roles we have within the council a Pay & Reward review will be conducted.
- 2.4 This review will also need to take into consideration the new organisational design work underway as part of IRP and the transformation of the Council. This will impact on role design and skills, attributes and scope of roles moving forward.
- 2.5 In context, changes are taking place in a highly competitive labour market which has resulted in increases in recruitment and a retention pressure beyond the established areas in local government such as social care and planning. Composition of services within each local authority impacts on the pressures they face e.g.; in-house fleet and transport related services have pressures from the shortage of HGV driver and direct provision of residential and domiciliary care by the first ever reported reduction of the care workforce by the LGA.

- 2.6 Upward pressure is likely to remain on annual cost of living pay settlements to compete with other employers for talent, higher levels of inflation and the government's commitment to a national living wage equal to two thirds of median earnings from April 2024.
- 2.7 Where we have high numbers of vacancies, along with an increase in the number of economic inactive people of working age and cost of living pressures leading people to seek higher levels of pay mean that employees have greater choice. Therefore, savings that can be realised need to be sustainable by taking into account both the financial benefit of realising savings as well the impact on workforce engagement and damaging Thurrock's reputation as an attractive employer.
- 2.8 Aligning our pay and reward to a workforce plan will ensure strategic and longer-term developments can still be achieved e.g., the Council's role in ensuring economic growth that benefits the community through development of the Thames Freeport, the Lower Thames Crossing and housing/population increases.
- 2.9 The majority of payroll expenditure is related to basic pay which is dependent on salary ranges linked to grades that are determined by job evaluation. However, to be effective, grade structures and job evaluation need to be aligned to organisational functions, structures and delivery models which inform job design that all are consistent with the future operating model of Thurrock.
- 2.10 Thurrock is not the only authority that is going through intervention following a s114 notice (currently Slough and Croydon). Establishing contacts to share learning and approaches on tackling related workforce matter will be beneficial. Establishing the short and long-term impacts of measures taken by Northamptonshire, particularly in relation to pay and conditions, prior to separation into two new unitary district authorities in April 2021.

3. Issues, Options and Analysis of Options

There are a number of categories that as a council we need to put in place that will give us quick wins as well as contribute to the longer-term goal to reduce our spend on workforce.

- 3.1 **Compliance** – S114 dictates this approach and to date strict enforcement and changes to current work processes to ensure value for money is achieved with control processes for any flexibility required e.g., agency and interim expenditure within and outside approved frameworks.
- 3.2 **Operational Management** – Through the introduction of panels to monitor opportunities to reduce expenditure through tighter controls/monitoring of overtime and vacancy management is in place however, this needs to align to

the wider transformation of the council and changes to roles. At present capacity is widely affected across the organisation which is impacting on resources. There needs to be short term investment in resources to support the organisation with its transition.

- 3.3 **Terms and conditions** – reviewing non-salary payroll expenditure to benchmark levels of reward and scope for reducing costs, for example, overtime, shift allowances and expenses. Can more be achieved? Should following further analysis indicate change is required this will require formal consultation and notice periods taking up to 6 months to complete with associated industrial and employee relations risks. It is essential proposals are in place by September 2023 to enable savings to be realised.
- 3.4 **HR Policy Discretions** – review all HR policies to identify and cost discretionary decisions by managers, for example, approving extensions to sick pay. This can be achieved immediately through tighter controls or issuing new guidance unless a formal change is made to the policy or custom and practice has been established that requires formal consultation to secure change.
- 3.5 It should be noted, that in circumstances where there is not a collective agreement with Trade Unions a dispute could result. If employees do not accept a variation of their contract, the Council will need to consider whether to proceed using a dismissal and re-engagement process. This brings not only legal risks but also reputational, industrial relations, employee engagement and motivation risks as well.

3.6 **Establishment Control**

The headcount of the Council's workforce in March 2023 was 2,513, which is a reduction almost 200 since March 2020. This has been through vacancy control and service restructures. There are currently 314 vacant posts (272 FTE) funded by the General Fund. The average salary of a FTE post is £35k (excluding on-costs). If a vacancy management approach was taken, if workloads could be managed to allow 10% to be unfilled, it would deliver a saving of £945k (27 FTE x £35k excluding on-costs).

Vacancy management requires discipline to realise benefits and a flexible approach to allow senior managers to select where benefits can be realised to allow for critical front-line services to operate safely to meet demand.

This option is delivered through operational management and does not require formal consultation and can be implemented promptly. The approach would be discussed with Trade Unions to provide reassurance that the scale of savings to be achieved would not result in excessive pressure on the workforce and can be achieved without redundancies.

3.7 Agency Use

The Council spent £12.5 million on agency staff in 2022/23. This is an increase of £1.7 million on 2021/22 and £3.6m higher than 2019/20 when the Thurrock headcount was 200 lower than it is now.

Highest levels of agency use are for qualified social workers, domiciliary care and waste. To reduce spend, action has been taken to encourage agency workers to accept fixed term or permanent contracts. Whether financial benefits are realised from moving agency workers on to payroll depends on whether the agency assignments cost is greater than the post budget taking into account salary and employers on costs.

Financial cost is only one factor to consider, if large scale workforce change is imminent, releasing agency workers reduces redundancy and early retirement costs. There are also risks to quality of service to residents, safeguarding and management time from high turnover of agency workers. Ultimately there is a balance so the Council may wish to review the target for maximum use of agency staff as a % of the workforce or % of pay bill. At the present time the council is spending more on interim costs due to intervention this impacts on spend, however, with the new operating model and organisational design work ongoing this should reduce the requirement for interims.

To estimate the potential saving on salaries budgets from reduced agency use, it would be prudent to work on an assumption that a benefit of 10% will be realised e.g., for every £1 million reduction in spend on agency, a saving of up to £100k could be achieved. Reducing spend to 2021/22 could deliver £170k.

A greater reduction in the agency spend is benefit from vacancy management which has been estimated above so as not to double count.

Minimising off framework spend is an area which can deliver further efficiencies by ensuring compliance with the agency hiring process through Matrix. The Council's off framework spend is forecast to be £700k in 2022/23.

Flexibility for some roles to secure suitable interims, in particular some highly specialised skills for which there are a shortage of candidates is required. For these roles, agencies are reluctant to provide them through managed service providers such as Matrix because they can supply them to other clients with a higher mark-up. There is a process in place to control and review use. If a reduction of 10% on the mark-up charged on this current spend can be achieved, it would reduce expenditure by £70k through stronger compliance and explore use of a secondary framework for hard to appoint interim roles. This will be explored as part of the review and consider wider options.

3.8 Performance Management

The Council's current workforce Performance Management framework will form part of the review, at present the process is aligned to pay following the end of year performance development review. This means all staff (excluding senior managers) who score a performance rating of 3 or above receive an incremental pay increase dependent on banding. For those at the top of their bands they do not receive any increase. As part of the review there will be a complete review of our performance management processes including senior managers.

Based upon the current scheme the expected distribution of the awards would result in 95% of staff achieving the level required to receive an increment. The value of increments equates to a 2% pay increase in addition to Cost-of-Living award. 28% of staff are currently at the top of their grade.

End of year reviews are conducted by managers in January/February and moderated through March by Assistant Directors, Directors and SLT.

3.9 Pay Settlements

Thurrock left the national collective bargaining arrangements for local government pay in 2007. Since then, annual pay settlements have been determined locally in consultation with Trade Unions, although linked to the NJC. As this has been in operation for a considerable period of time and in light of the s114 notice, it is appropriate to review the effectiveness of this approach against the initial objectives and benefits that were envisaged and best fit for the future.

3.10 Proposed phasing and timescale

Phase 1 – June to September - Diagnostic and Development of Proposals

- Why and where are we overspending, analysis work, pay elements
- Budget – including 2 million vacancy factor for 2023/24
- Identify where overspending
- Breaking down by elements
- Vacancies
- Agency data
- Options to reduce employee spend
- Performance management
- Impact on employment policies relating to pay

Phase 2 – October to December – Consultation

- Consultation on proposals with trade unions and staff.
- Review proposals and determine outcomes.
- Assess costs and protection arrangements.

Phase 3 – January to March – Implementation

- Contracts reissued
- Oracle updated
- Pay Policy 2024/25

Phase 4 – April 2024 onwards

- Review of JDs in line with new operating model and structures
- Revision of job families and career pathways
- Assess and evaluate impact of pay and reward

3.11 All policies relating to pay and allowances are governed through general services committee. Enacting these policies is through line management and system controls.

4. Reasons for Recommendation

4.1 The council is currently overspending on its Pay budget, there is a need to explore the potential for further savings across all aspects of pay and reward. As this report sets out there are many elements to be considered to ensure our pay and reward offerings are comparable, keep us competitive for recruitment and retention purposes and is fair and equitable. The critical elements of the outputs will be to reduce expenditure.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 Not applicable

6. Impact on corporate policies, priorities, performance, and community impact

6.1 Pay is the largest expense of the council and pressures impact across the organisation. In the current context all elements of pay need to be examined to support the financial sustainability ambition and the changing organisation.

Changes to pay and benefits can impact on individual and organisational performance through disputes, disengagement and the Council's ability to attract and retain appropriate skills and talent.

As part of the review there is a requirement to review HR policies and procedures.

7. Implications

7.1 Financial

Implications verified by: **Jo Freeman**
Finance Manager

In-year changes to the pay policy impacted the outturn position against pay in 2022/23 as noted in para 2.3.

£8.3m has been build into the 2023/24 employee budget to reflect the 4% cost of living increase £3.6m, the incremental progression through the pay bands based linked to end-of year performance reviews £1.7m, backdated impacted of the 22/23 pay policy changes £2.5m and changed to employer NI and pension contributions £0.5m

A 2m vacancy factor has been applied to relevant service budgets with the intention of achieving a saving through the natural turnover of staff.

Any changes made to the pay policy will impact the assumptions used to calculate the 2023/24 employee budgets and appropriate action will need to be taken to identify mitigation action to ensure delivery within budget and all proposals for savings related to pay will need to be modelled against budget with the support from Corporate Finance to ensure deliverability.

7.2 Legal

Implications verified by: **Mehzabeen Patel**
Employment Lawyer

The report correctly identifies that the need to reduce or avoid unnecessary spending pursuant to the S114 notice, is subject to the Council's ongoing contractual obligations. Whilst non contractual obligations/benefits can be modified or withdrawn; express, implied or incorporated terms cannot be unilaterally withdrawn. As identified in the report, terms and conditions should only be amended via agreement. A unilateral change to terms and conditions can result in breach of contract and constructive unfair dismissal claims. A last option which is also identified in this report is dismissal and re-engagement. All reasonable steps and meaningful consultation should be considered before taking such action as it risks damaging industrial and employee relations. Claims for unfair dismissal and wrongful dismissal can still be lodged using this method, but the benefit of "fire and rehire" is that the new terms are offered immediately, thereby limiting any loss suffered.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Community Development and Equalities

Community Equality Impact Assessments will be completed as part of the pay and review process to understand the diversity and equality implications from

the proposals that arise and fulfil council's responsibilities set out in the Public Sector Equality Duty.

All information regarding Community Equality Impact Assessments can be found here: <https://intranet.thurrock.gov.uk/services/diversity-and-equality/ceia/>

7.4 **Other implications** (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

None

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. **Appendices to the report**

- None

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