

Oxfordshire County Council

Senior Management Pay and Grading Review: CEO Pay Review

DRAFT FOR DISCUSSION

June 2022



Introduction

Paper overview

This short report provides a review of the Interim Chief Executive Officer's ("CEO") pay and considerations for CEO pay going forwards.

This paper contains:

1. **Key findings and considerations for the CEO pay going forwards** - This paper also seeks to help OCC understand what the potential pay rate for a permanent CEO position could be and considerations in determining the pay
2. **The outcomes of our market data benchmarking review** - Using the interim CEO's job description and a comparison to comparable local authorities, as well as a comparison to the All sector benchmark of similar size organisations

Methodology

The full methodology that has been used for the CEO benchmarks can be found in the appendix of this deck, which highlights the industry sectors, function and level for the match, geography (e.g. national) and the market reference points used.

Additionally that slide contain the definitions for the market reference points used, notes on data sources and assumptions.

Key findings and considerations

Key findings

Findings from the benchmarking comparisons based on the base salary of the current incumbent in the interim CEO role:

- Local authorities benchmark
 - Base salary sits just behind market median, which we would consider to be broadly in line with market.
- All sector benchmarks
 - National data cut - base salary sits just behind market median for and therefore broadly in line with market.
 - South East data cut - base salary sits below the market median and is closer to the lower quartile, which we would consider to be behind the market.

OCC has an aspiration to pay all employees above the market median, towards the market upper quartile, this is due to the high cost of living in Oxfordshire and the current pressures on talent, both retention and attraction. Therefore when advertising for a permanent CEO, the market data suggests the following:

- That an appropriate rate for this job would be a spot rate between £190,506 and £197,983, if OCC was to align somewhere between market median and UQ for a local authority CEO.
- This range would also position the base salary above market median for the national cut of the all sector data and if near the top of the range, close to the median of the South East cut.

Other considerations when setting the CEO pay level

Factors to take into account when setting the pay level for the CEO:

- Desired market positioning e.g. do we want to pay at median or upper quartile in the market or somewhere in between.
- The impact of the cost of living in Oxfordshire and the current cost of living crisis, along with other market pressures OCC experiences.
- The comparison of what the CEO's base salary would be to both the lowest paid employee and the median base salary at OCC.

Market benchmarking - Local authorities

Local authorities benchmarking

For the local authorities comparison, the benchmark has been calculated using 16 local authorities with a similar size budget (based on total service expenditure*) to OCC, taking the 8 authorities above and 8 authorities below OCC, based on ranked order of budget size.

In the table below we provide the **base salary** market benchmarking output for the Interim CEO role. This takes into account backward looking market data, as per typical benchmarking methodology and therefore has been aged by 1.5% to take into account the Chief Officer and Chief Executive Pay Award 2021/22.

	Base salary (GBP)				Comparatio	
	Current	LQ	M	UQ	M	UQ
Interim Chief Executive Officer	187,775	181,370	190,506	197,983	98.6%	94.8%

Local authorities included in the benchmark

Bradford (Metropolitan borough), Bristol (Unitary), Cambridgeshire (County), Cornwall (Unitary), Cumbria (County), Durham (Unitary), Ealing (London borough), East Sussex (County), Gloucestershire (County), Leicestershire (County), Lincolnshire (County), Sheffield (Metropolitan borough), Suffolk (County), Tower Hamlets (London borough), Warwickshire (County) and Wiltshire (Unitary).

* Budget data is from LG Inform and data field used to gather the list of local authorities is: Budget - Total service expenditure (RA) (2021/22). The definition of which is as follows: This is the estimated budget net expenditure on all services. It is taken from the Revenue Accounts Budget. The data are budget estimates of local authority revenue expenditure. These estimates are on a non International Accounting Standards 19 (IAS19) & Private Finance Initiative (PFI) on an "Off Balance Sheet" basis

PwC observations

- When comparing to benchmark data, the incumbent's currently salary level sits just behind market median, which we would consider to be **broadly in line with market.**
- But given the current volatility of salary in the market in response to the cost of living crisis, this position could change and become uncompetitive if base pay increases more rapidly in local authorities in order to be able to attract and retain talent.

Market benchmarking - All sector

All sector benchmarking

For the all sector comparison, the benchmark comparison has two cuts of data, first is a National UK cut and the second is a South East regional cut (inc. London), with both being based on organisations with similar headcount sizes to OCC.

In the table below we provide the **base salary** market benchmarking output for the Interim CEO role, using May 2022 data and therefore no ageing has been applied.

	Base salary (GBP)				Comparatio	
	Current	LQ	M	UQ	M	UQ
Interim Chief Executive Officer (South East)	187,775	176,460	205,000	263,012	91.6%	71.4%
Interim Chief Executive Officer (National)	187,775	137,542	190,325	260,000	98.7%	72.2%

Points of note

- Range seen in the National data cut are very wide and may be impacted more by regional differences in pay.
- Some organisations apply allowances on top of base salaries e.g location allowance, car allowance, etc.
- Outside of the public sector, substantial bonus payments are very common practice for CEO roles.

PwC observations

- When comparing to benchmark data, the incumbents current salary level sits just behind market median for the **National** cut of data, therefore **broadly in line with market**.
- But when comparing to the **South East** data cut, the incumbent sits below the market median and is closer to the lower quartile, which we would consider is **behind the market**.
- Note: previous point made in relation to volatility due to the cost of living crisis.

Appendix: Methodology

Job matching and comparator group

PwC have collected and applied data for the CEO role based on the following data decisions co created between PwC and OCC, as outlined below:

Data	Data Methodology
Industry sector	<ul style="list-style-type: none"> Sector 1 - Local authorities Sector 2 - Public and private sector (all sector)
Functions	<ul style="list-style-type: none"> Relevant function to role only
Level	<ul style="list-style-type: none"> CEOs within organisations of a similar size to OCC
Geography	<ul style="list-style-type: none"> Sector 1 - National Sector 2 - National and South East
Market positioning	<ul style="list-style-type: none"> LQ, Median and UQ. Compare OCC's positioning against market median

Data sources

Data for this benchmarking exercise is based on consolidated information from the following sources:

- Publicly available local authority accounts;
- Third party data sources;
- PwC's industry-specific experience as appropriate to provide OCC with robust market benchmarks.

Additional benchmarking assumptions

- Base pay has only been benchmarked
- From disclosed local authority accounts, the figure used is based on reported 'Salary, Fees and Allowances'

Format of information

We present market information as follows from each source / regional cut of data:

- Lower quartile (LQ)** - where 25% of posts receive less and 75% more than the figure shown;
- Median (M)** - where 50% of posts receive less and 50% more than the figure shown;
- Upper quartile (UQ)** - where 25% of posts receive more and 75% less than the figure shown;
- Comparatio** - comparison of incumbents current base salary with the market median and with the UQ.

