

## JOINT NEGOTIATION COMMITTEE – EMPLOYERS SIDE

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**SENIOR MANAGER PAY REVIEW PROCESS**

Contact Officer: Marie Devlin-Hogg, Head of HR and Strategy Tel: 07734983113

**1. Purpose**

1.1 This report recommends a Senior Manager Pay Review Process.

**2. Recommendation**

2.1 That the Committee be requested to agree:

(a) The proposed Pay Review process; and

(b) That the Senior Manager Pay Review process would form part of the Council's annually published Pay Policy Statement.

**3. Background – why is this review process needed?**

3.1 The Council has a statutory duty to annually produce and publish a Pay Policy Statement, in accordance with Section 38 (1) of the Localism Act 2011. This sets out Milton Keynes Council's (MKC's) key policies and principles in relation to the pay of its workforce; particularly in relation to its senior managers (Chief Officers) and lowest paid employees; and is available for the public to access.

3.2 A key element of the Pay Policy Statement is the publication of our agreed pay grades for Chief Officers. This grading structure was created using Hay evaluation and was adopted by MKC in 2014, following a recommendation by the Employers Side of the Joint Negotiating Committee (JNCE).

3.3 The JNC/JNCE also recommended the establishment of a review process for senior salaries to enable the movement of salary levels within the pay band. The current published pay policy states that Chief Officer pay levels should be reviewed at least every 3 years to ensure that they remain at an appropriate level. No review has taken place since 2014 and currently MKC has **no** agreed process or mechanism for carrying out such a review. MKC must comply with its pay policy statement in making any changes to pay. In the absence of an agreed review process, the Council would **not** be fully compliant and the Council would be expected to defend this position if challenged by the general public or by officers within MKC raising a complaint with the Information Commissioner's Office.

3.4 The Council has adopted the following Chief Officer pay structure:

<b>ROLE</b>	<b>PAY BAND</b>
Chief Executive (CEO)	£155,540
Corporate Director (CD)	£121,200 to £141,400
Service Director (SD) Level 1:	£97,869 to £106,050
Service Director (SD) Level 2:	£87,567 to £97,869

3.5 Under the grade structure, senior managers are appointed to a spot salary within the relevant grade range. There is no agreed pay range for the role of Chief Executive Officer. Those employed at the time the grade structure was introduced were placed at the bottom of their respective grade. Pay levels for newly appointed senior managers are decided at the time of appointment by the selection panel. This can and does result in newly recruited managers to MKC on Chief Officer terms being appointed on higher spot salaries than those employed in 2014 or before; with the potential for equal pay challenges.

3.6 In addition, the market rate for certain types of senior role is also subject to change and therefore there is a potential retention risk if our current salary levels do not reflect these changes.

3.7 Currently MKC staff who are on NJC (single status) terms and conditions of service (**not on Chief Officer terms and conditions**) can progress to the salary maximum of their grade subject to key objectives being met to an acceptable level and there being no current performance issues.

3.8 In summary, the establishment of an agreed Senior Manager Pay Review process will:

- (a) enable the Council to comply fully with its agreed Pay Policy Statement; and
- (b) provide greater flexibility for MKC to ensure that it has a robust and transparent mechanism in place to retain and motivate our senior leaders; as well as pay salaries that are deemed appropriate for their role.

#### 4. **Proposals**

4.1 The proposed pay review process for Chief Officers is outlined in full in the attached Annex. In brief, the process highlights levels of responsibility (who does what) and also the information that should be taken into consideration when reviewing senior pay levels. The process complies with the Council's published Pay Policy Statement and proposes that a review should take place at least every 3 years.

4.2 The process advises that **any** recommended change to Chief Officer pay levels (excluding any changes to the CEO's pay) are shared with Group Leaders for information by the Head of Paid Service (CEO) and the relevant portfolio holders rather than Full Council. This is because the review process would be operating **within** an already agreed Pay Policy Statement, which includes agreed salary ranges for Chief Officers.

4.3 It is proposed that any agreed change to the CEO’s pay would be ratified in the Pay Policy Statement by Full Council.

4.4 As part of the criteria within the proposed review process looks at comparing an Officer’s pay with current market rates and also with regard for the financial climate within MKC it should be noted that pay within the grade may go up or down. Linking some of the criteria for pay increases to the local and regional market does carry with it a risk of reinforcing temporary market increases on a permanent basis in skill shortage areas. Usually traditional “market supplements” are reviewed on an annual or two yearly basis. So to protect the Council from this, the pay reviews will have the capacity to increase or decrease pay based on market considerations. This is a challenging concept contractually so the Council will explore a way of fixed and variable salary that gives re-assurance to employees of longer term pay but protects the council should market comparison change significantly.

**5. Implications**

5.1 Policy: The proposed process, once agreed, will form an appendix to the Pay Policy Statement and will be published.

5.2 Resources and Risk:

N	Capital	Y	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

Depending on the outcome of the review process this is unlikely to be a cost neutral exercise. It is not possible to estimate figures because this would need the review to take place. The cost of the outcomes would either be absorbed into existing staffing budgets; or if the recommendations involved a greater cost increase then it would have to be part our normal budget bid process to identify funding.

There is a risk that any subsequent increase to senior managers pay may attract adverse comments when published annually on our transparency pages.

5.3 Legal: This is covered in the main body of the report which outlines a risk of equal pay challenge and also the challenge of non- compliance with our pay policy statement.

5.4 Other Implication:

Y	Equalities / Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder

The adoption of the Senior Manager Pay Review process will ensure that a transparent process is in place to ensure that pay levels for this cohort remain appropriate. Provided any change to pay is made for objective reasons, there will be no equalities or diversity impact.

There may be occasions when changes to pay levels are required to prevent any equalities / equal pay issues occurring. The proposed Senior Manager Pay process will ensure that any pay inequalities in Chief Officer pay are addressed.

Background Papers:

Senior Manager Pay Review Process (Annex)