

**EXECUTIVE REPORT**

**JNC – RECRUITMENT & RETENTION**

**THE MAYOR**

**JAN RICHMOND, CHIEF EXECUTIVE**

**15<sup>TH</sup> DECEMBER, 2005**

---

**1. PURPOSE OF THE REPORT**

To consider:

- (i)** the current salary levels being offered to service directors in other comparable north east councils and the implications for recruitment and retention in Middlesbrough;
- (ii)** a proposal to bring Middlesbrough in line with the average of salaries being paid for comparable posts in north east councils.

**2. BACKGROUND**

- 2.1** The grading structure used for service directors (known in Middlesbrough as executive directors) has not been reviewed since 2002. Executive directors (4) are all currently paid on the same banding of spot salaries rather than salary scales. The support service directors (3) are paid on lower salary bandings, also spot salaries rather than salary scales.

- 2.2** It became evident during 2004 that many councils, both nationally and locally were revising their salary structures for their most senior posts. This was in part driven by new responsibilities being placed on councils and in part by the national shortage of talented, experienced senior managers in local government. An independent survey of comparable posts elsewhere was conducted in spring of 2005 to obtain a clearer picture of the changing situation. A summary of the findings is attached as Appendix A. This showed that upward grading drift both nationally and within the region meant that executive director posts at Middlesbrough Council were graded considerably below the market rates. Following informal discussion with the Mayor and other executive members, the survey was not used to propose any changes at that time, although it was recognised that a significant gap was evident which needed to be kept under review.
- 2.3** Recent recruitment exercises undertaken by councils across the region show that Middlesbrough Council has slipped further behind. As an “excellent” council, members of Middlesbrough’s senior team are regularly approached by recruitment consultants encouraging them to apply for jobs elsewhere. One director is now leaving for a post in a neighbouring authority with a smaller span of responsibility but with significantly higher salary. Another has been approached about a similar post in the last few weeks. Recruitment and retention issues are likely to become acute if consideration is not given to bringing Middlesbrough into line with its regional neighbours. This situation also applies in some other sections of the workforce. In the areas where the national Job Evaluation Scheme does not permit the reflection of market forces in the base grading, a market supplement approach has been agreed and the first proposals are under consideration.

### **3. RECRUITMENT & RETENTION**

- 3.1** Some turnover in the senior management team is inevitable and indeed healthy: however, if it becomes artificially high, it has some significant disadvantages. Recruitment costs, organisational disruption and loss of momentum in addressing priorities, are all by-products of high turnover. Councils invest a great deal in senior managers and an effective senior team is a prerequisite to being a high performing council.
- 3.2** Although salary levels invariably vary to some degree across councils, market pressures and the desire of high performing councils to retain

their successful senior managers, tend to keep variation within a relatively narrow range. Although salary is by no means the only criterion influencing choice of employer; where a council falls significantly below the majority of other councils in its locality, recruitment and retention difficulties are likely to follow.

- 3.3** It is clear that Middlesbrough Council currently pays significantly below the regional rates for executive directors and if a national salary survey were conducted, the gap would be even wider. However, the comparisons which matter most, because of the recruitment and retention implications, are those with councils offering similar posts in the region and sub-region. Given the broadly similar structures operating in unitaries, metropolitan districts and (where relevant) for counties within the north east region, comparisons are easy to make. The decision which needs to be made is whether or not Middlesbrough Council wishes to offer senior salary packages which are in line with those available elsewhere.

#### **4. SUGGESTED WAY FORWARD**

- 4.1** The position needs to be reviewed urgently. If no action is taken, further retention problems are likely and the Council may encounter difficulties in recruiting to the Director of Environment post which will become vacant when the current postholder leaves to take up his new post early in 2006.
- 4.2** It is therefore suggested that the survey undertaken earlier in the year be updated to reflect recent changes in the sub-region and region. It is recommended that a 3-point salary range for executive directors be established based on an average of comparable posts i.e. unitaries, metropolitans and (where relevant) counties within the north east region. A 3-point scale would provide suitable flexibility for recruitment, although the expectation would be that newly recruited executive directors would normally start on the minimum.
- 4.3** Existing executive directors would move to the mid-point initially and progression to the top point of the scale would in the case of both new and existing directors, be subject to satisfactory performance assessment.

## **5. OTHER JNC POSTS**

**5.1** Although there is some disparity arising between some of Middlesbrough Council's other senior management posts and similar posts elsewhere in the region, this is not yet as extreme and the picture is not as consistent as for executive directors. This is in part because below the level of executive director, there is more variety in the posts themselves and therefore comparisons are harder to make. It is therefore proposed to keep the situation under review and consider applying similar principles to other posts if and when a need can be clearly evidenced.

## **6. OPTION APPRAISAL/RISK ASSESSMENT**

**6.1** The Council has three broad options:

1. retain current position;
2. bring Middlesbrough salaries into line with the regional average;
3. offer salaries comparable with the highest on offer in the region.

**6.2** The senior team plays a major role in developing and taking forward the Council's current agenda. The departure of several team members in a short period and the consequent disruption would represent a risk to the Council achieving its priorities. There would also be a significant risk that newly recruited managers would soon move on to better remunerated posts elsewhere.

**6.3** It is considered that Option 1 would fail to address the issue and be likely to result in recruitment and retention problems which would be disruptive and damaging. Option 3, although the safest in recruitment and retention terms is not considered justifiable or necessary to address the issue. Option 2 is therefore recommended.

## **7. FINANCIAL, LEGAL & WARD IMPLICATIONS**

**7.1** The suggested way forward would not have any additional financial implications, subject to the deletion of the post of Assistant Chief Executive (Performance & Policy). This post has been held vacant since February 2005 and its responsibilities were re-allocated as part of a minor restructure in the summer of 2005.

## **8. RECOMMENDATIONS**

- (i)** That the regional survey of comparable executive director posts be updated to reflect the position as at December 2005.
- (ii)** That a 3-point scale based on an average of comparable posts be established for executive directors from January 2006, subject to the Mayor's approval of the detailed scheme.
- (iii)** That regional salary rates for support service directors and head of service posts be kept under review by the Chief Executive. Similar principles to be applied only if circumstances merit this, if proposals are affordable and with the approval of the Mayor plus relevant portfolio holder as to detailed proposals.
- (iv)** That the post of Assistant Chief Executive (Performance & Policy) be deleted from the establishment.

**AUTHORS:**            **Jan Richmond, Chief Executive &  
Linda Maughan, Director of Human Resources**

**TEL NOS:**            **01642 729101/729046**

---

*Address:*

*Website: <http://www.middlesbrough.gov.uk>*

**INDEPENDENT SALARY SURVEY – SPRING 2005**

| <b>COUNCIL</b>       | <b>EXECUTIVE DIRECTOR (OR EQUIVALENT)<br/>SALARY RANGE</b> |
|----------------------|--|
| <b>A</b>             | <b>£94,146 - £107,067</b>                                  |
| <b>B</b>             | <b>£93,000</b>   |
| <b>C</b>             | <b>£90,000 - £115,000</b>                                  |
| <b>D</b>             | <b>£90,000 - £98,000</b>                                   |
| <b>E</b>             | <b>£101,838 - £126,000</b>                                 |
| <b>F</b>             | <b>£97,000 - £105,000</b>                                  |
| <b>G</b>             | <b>£87,393 - £103,137</b>                                  |
| <b>H</b>             | <b>£90,000 - £105,000</b>                                  |
| <b>I</b>             | <b>£94,000 - £103,000</b>                                  |
| <b>J</b>             | <b>£96,700</b>   |
| <b>MIDDLESBROUGH</b> | <b>£87,267</b>   |