

KNOWSLEY METROPOLITAN BOROUGH COUNCIL

PAY POLICY STATEMENT – MARCH 2018

INTRODUCTION

Knowsley Metropolitan Borough Council is committed to transparency and fairness in the payment and remuneration of all of its employees.

In 2017/18, the Council had an overall pay bill of £75.3m including National Insurance and Superannuation costs (but excluding the pay for staff employed by the Borough's schools who are employed independently of the Authority). The Council currently has a workforce of 2,621 people. These figures do not include casual workers or staff employed by the Borough's schools, who, as stated above, are employed independently of the Authority.

In 2015, the Council undertook a review of senior officer pay costs and introduced a revised senior officer organisational structure which achieved permanent savings of £0.810m. This work, alongside previous changes to the senior officer workforce, enabled the Council to achieve senior officer savings of approximately £8m since 2009/10 along with a reduction of almost half of senior officer posts in that timeframe – a far more extensive reduction than that which has been applied to the wider employee structure.

As the size and shape of Council services change, the Authority will ensure that the cost of senior officers reduces, in line with equivalent reductions in overall service expenditure.

Pay for employees working across the wide range of Council services has been reviewed following assessment of job roles using agreed job evaluation schemes. The pay review exercise was undertaken in two phases and concluded in 2013 for all posts (excluding teachers) below senior officer level and in 2016 for posts up to and including the Chief Executive. The purpose of the pay and grading review was to enable the Authority to implement an equal pay compliant pay structure, which would help to manage future pay costs without creating additional overall cost pressure to the staffing budget.

Since October 2015, the Council has adopted a minimum level of pay as determined by the Living Wage Foundation. The commitment to the Foundation's Living Wage is voluntary and currently paid by 3,500 United Kingdom employers who, like the Council, believe that a fair day's work deserves a fair day's pay. The Living Wage Foundation rate has increased each year and is greater than the rate that the Government introduced from April 2016, although it theoretically applies only to staff over 25 years of age. The Government's minimum rate is referred to as the "National Living Wage".

The Living Wage Foundation rate is higher than the Government's National Living Wage and is independently calculated. Knowsley goes beyond the Foundation's recommendations and well beyond the Government's approach by applying the Foundation's rate to all employees irrespective of age and therefore also includes apprentices employed across Council services.

1. Purpose of the Statement

- 1.1 This Pay Policy Statement sets out the Council's approach to pay in accordance with the requirements of Section 38 of the Localism Act 2011 (and subsequent statutory instruments (including the Local Authorities (Data Transparency) Code 2014) and the Local Audit and Accountability Act 2014.
- 1.2 In accordance with legislation, this Pay Policy Statement will come into immediate effect once approved by a full meeting of the Council and will then be subject to review on at least an annual basis, the policy for the subsequent financial year being approved by 31 March each year.
- 1.3 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation.

2. Pay Structure

- 2.1 The Council uses nationally negotiated pay rates as the basis for its local pay structure, which determines the salaries of the majority of its workforce. For 2018/19, the Council will once again apply the Living Wage (as determined by the Living Wage Foundation) as its minimum level of pay. This particular policy has been in place in Knowsley Council since 2015.
- 2.2 Work is under way between local government employers and the trade unions involved in national pay bargaining to review the National Joint Council's pay spine. The aim of this work is to ensure that the pay spine can accommodate changes to the Living Wage rate and the impact on differentials in levels of pay and responsibility. As the Council supports the current system of pay bargaining and pay determination, it will pay due regard to the outcome of this review.
- 2.3 Through national pay bargaining arrangements, the National Employers' Organisation has offered the trade unions a two-year pay deal.
- 2.4 From 1 April 2018 ("Year One"), the offer is to bottom-load the pay award for salary ranges from Spinal Column Points 6 to 19. This was considered necessary in order to achieve higher increases on the lower pay points and thereby continue to close the significant gap with the Living Wage. This part of the offer would result in a new lowest pay rate of £8.50 per hour at Spinal Column Point 6 (based on the national standard working week for local government services employees of 37 hours).

- 2.5 For posts at Spinal Column Point 20 and above, there would be a flat-rate increase of 2%.
- 2.6 From 1 April 2019 (“Year Two”), the offer is for a bottom rate of £9.00 per hour (based on the national standard working week for local government services employees of 37 hours).
- 2.7 To date, the proposal has not been agreed by the trade unions. The Council will continue to monitor the negotiations and intends to adhere to the national approach to local government pay once it is agreed.
- 2.8 All other pay-related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery.
- 2.9 In determining its grading structure and setting remuneration levels for any posts which fall outside the scope of nationally set pay rates, the Council takes account of the need to ensure value for money in respect of the use of public expenditure. This is balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community.
- 2.10 New appointments will normally be made at the minimum of the relevant pay scale for the grade. From time to time, it may be necessary to take account of external pay levels in the labour market in determining starting salary levels or in order to attract and retain employees with particular experience, skills and/or capacity.
- 2.11 Following implementation of the pay and grading review during 2014, the Authority agreed a policy on the application of market supplements. Subject to the satisfaction of qualifying criteria, this policy allows the Authority to apply a temporary recruitment and retention premium of up to 10% of the basic salary for a particular job. Any such pay supplement is subject to Assistant Executive Director approval, in consultation with the Executive Member under whose remit the specific service falls and periodic review thereafter. To date, no such supplements have been applied.

3. Senior Officer Remuneration

- 3.1 For the purposes of this Statement (other than the reference to senior officer pay savings and the senior officer pay and grading review, both of which affect all senior officer posts) the Council has defined “senior officers” as including the Council’s Head of Paid Service, Executive Directors (including the Assistant Chief Executive) and Assistant Executive Directors. These categories include all of the Council’s statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.
- 3.2 These posts are set out below together with the associated total remuneration (based on 1 April 2017):-

Post Title	Salary Band
Chief Executive	£163,216 per annum (fixed salary)
Executive Directors (including the Assistant Chief Executive)	£104,050 to £114,251 per annum
Assistant Executive Directors	£88,443 to £98,848 per annum

3.3 In 2015, the National Employers agreed a 1% pay increase for Chief Officers with salaries below £99,999. In 2016 and 2017, similar 1% pay awards were applied to Chief Officers and Chief Executives, with the salary restriction of £99,999 no longer applied. These were the first pay increases of any description for this group of senior officers since 2008. This group of officers had incurred a real terms cut in pay equivalent to approximately 26% between 2008 and 2015.

3.4 In respect of the overall cost of the Council's wider senior officer structure (i.e. all officers paid at grade PMG 1 or equivalent), the Council will ensure that, as the size and shape of the Authority's services change, senior officer pay costs will remain in line with changes in overall service expenditure. Senior officer costs will therefore not exceed 3% of total gross expenditure each year.

4. Additions to Salary

4.1 In addition to the salaries quoted at paragraph 3.2 above, some posts receive additional remuneration as outlined in the table below:-

All officers involved in delivering Local, Parliamentary and/or European Elections and/or Referenda	Duty payments as determined locally and/or by statute depending on the duties concerned.
All eligible employees at all grades	Pension contributions paid to the Local Government Pension Scheme. Contribution rates are set by the Merseyside Pension Fund.

4.2 The arrangements and factors considered in determining an individual senior officer's progression through the relevant pay scale are based upon annual incremental progression to the top of the grade but can be affected by that individual's performance and capability in the relevant post. In this respect, all of the post holders are assessed by their relevant line managers.

- 4.3 Where the Council is unable to recruit a chief officer, or there is a need for interim support to provide cover for a substantive chief officer post, the Council will consider engaging individuals under a “contract for service”. Such contracts will be sourced through an appropriate procurement process in order to ensure that the Council is able to demonstrate value for money in securing the relevant service. It should be noted that the Council is not required to make or fund directly either Superannuation or National Insurance contributions for such individuals. These provisions will only be applied in exceptional circumstances, i.e. where such an approach is clearly in the best interests of the Council.

5. Senior Officer Recruitment

- 5.1 Apart from the potential application of a market supplement payment as described in paragraph 2.6 of this statement, the Council does not make any “golden hello” payment or any other incentive payment to its senior officers upon recruitment. Where appropriate, the Council pays removal and relocation allowances up to a maximum of £16,981 upon the presentation of approved receipts.
- 5.2 The Council’s policy and procedures with regard to the recruitment of senior officers are detailed within its Recruitment Policy.
- 5.3 When recruiting to all posts, the Council will take full and proper account of all provisions of relevant employment law and its own policies.
- 5.4 The determination of the remuneration to be offered to any newly appointed senior officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. As previously stated, the pay structure was fundamentally reviewed during 2016 following completion of the Senior Officer Job Evaluation process.

6. Performance-Related Pay and Bonuses for Senior Managers

- 6.1 With the exception of annual progression through the incremental scale of the relevant grade (which is itself can be subject to satisfactory performance), the level of remuneration is not variable dependent upon the achievement of defined targets.
- 6.2 The Council does not award any performance-related pay or bonuses to any of its senior officers.
- 6.3 To meet specific operational requirements, it may be necessary for an individual to take on additional duties to his/her identified role on a temporary basis. Any such arrangements for a senior officer would be considered and determined by the Council’s Governance Committee. Any associated temporary additional remuneration agreed would be applied in accordance with Council policy.

7. Payments to Senior Managers on Termination

- 7.1 The Council's approach to these issues is determined by the circumstances of the termination of the employment in each case. For example, this might be via voluntary severance, compulsory redundancy or early retirement.
- 7.2 The Council's approach to statutory and discretionary payments upon termination of a senior officer's employment prior to reaching normal retirement age is set out within its policy statement in accordance with the Local Government Pension Scheme (Administration) Regulations 2013 (Regulations 60(1) and (5)) and the Local Government Pension Scheme (Administration) Regulations 2008 (Regulation 66(1)). In this respect, the Council's treatment of senior officers is identical to its treatment of any other employee.
- 7.3 Any payments falling outside of these provisions or the relevant periods of notice within the contract of employment shall be subject to a formal decision made in accordance with the Council's Scheme of Delegation. Business cases in relation to instances of voluntary severance or early retirement are kept under review.
- 7.4 Through the Enterprise Act 2016, the Government intends to apply regulations setting a cap and associated qualifying conditions on termination payments to public sector workers. For senior officers in receipt of a salary of £80,000 or more, this includes the requirement to repay some or all of the associated redundancy payment if the senior officer concerned is re-employed in the public sector within 12-months of their earlier redundancy. During 2018/19, the Council will establish appropriate pay procedures to comply with any such regulations.

8. Publication of Senior Officer Remuneration Information

- 8.1 Upon approval at a full meeting of the Council in accordance with legislation, this Statement will be published on the Council's web site.
- 8.2 In addition and in accordance with the prevailing legislation and Government codes, for posts where the full-time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include details of:-
- salary, fees or allowances paid to or receivable by the person in the current and previous year;
 - any bonuses paid or receivable by the person in the current and previous year;
 - any sums payable by way of expenses allowance which are chargeable to United Kingdom income tax;
 - any compensation for loss of employment and any other payments connected with termination; and,

- any benefits received which do not fall within the above.

8.3 Any other related information (such as job responsibilities and the organisation's structure) will also be made available in the Council's Annual Statement of Accounts and on the Council's website.

9. Lowest Paid Employees

9.1 During 2015/16 and as part of its commitment to address low pay, the Council took the decision to apply the Living Wage. The Government's "National Living Wage" (i.e. the new statutory National Minimum Wage) became £7.50 per hour with effect from 1 April 2017 and will increase to £7.83 per hour with effect from 1 April 2018. The Council considers the Living Wage Foundation's assessment of a true "Living Wage" to be a more accurate reflection of the pressures faced by the low paid. The Council therefore applied a Living Wage for Knowsley Council employees of £7.85 per hour from 1 October 2015 and has continued this approach with the hourly rate of £8.45 per hour applied with effect from 1 April 2017.

9.2 Following the Living Wage Foundation's announcement in October 2017 of an increase in the Living Wage rate to £8.75 per hour, the Council has decided to apply this new rate to Council employees with effect from 1 April 2018 and to manage the implementation of this alongside the first part of the 2018/20 local government pay award, which, if agreed, will also be implemented on 1 April 2018. The estimated costs of both of these pay increases are reflected in the Council's medium-term financial forecasts. Any decision to apply future increases in the Living Wage will be based on affordability and the likely impact on the Council's pay structure.

9.3 Currently, the Council's lowest paid employee is remunerated at £8.45 per hour - an equivalent rate of £15,862 per annum. From 1 April 2018, the lowest paid employee in the Council will be remunerated at £8.75 per hour - an equivalent rate of £16,425 per annum. The Council's pay structure will be subject to review on at least an annual basis.

9.4 The relationship between the rates of pay for the lowest paid and those of senior officers is determined by the processes used for determining pay and grading structures as set out earlier in this statement. The applicable pay multiple (i.e. based on employee and pay information as at 1 April 2018) will be published on the Council's website after that date. The Government's stated target for the relationship between any organisation's highest paid and lowest paid employee is 20:1. The current ratio in Knowsley is significantly better than this target at 10:1.

9.5 The median average pay (excluding National Insurance and Superannuation) of a full-time employee within the Council is currently £22,658. The mean average is £25,475. These average salary figures discount sessional pay for casual workers and do not include staff employed by the Borough's schools, who are employed independently of the Authority.

9.6 As part of its overall and ongoing monitoring of alignment with external pay markets both within and outside the sector, the Council will use available benchmark information and specialist advice as appropriate.

10. Accountability and Decision-Making

In accordance with the Council's Constitution, the Governance Committee is responsible for decision-making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to the Council's Chief Executive, Executive Directors and Assistant Executive Directors.

11. Re-employment/Re-engagement of Former Senior Officers

The Council will not re-employ any senior officer who was previously made redundant by the Council, and will not later re-engage such officers under a contract for service.