

METROPOLITAN BOROUGH OF KNOWSLEY

To: The Mayor and Members of the Council

Meeting: 4 March 2020

Wards Affected: Borough-wide

Executive Remit: All

Non-Key Decision

REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES)

MEDIUM-TERM FINANCIAL STRATEGY

1. EXECUTIVE SUMMARY

- 1.1 This report provides the financial context for the Council's 2020/21 revenue budget. All spending and funding estimates have been fully reviewed, including the latest information on the Local Government Finance Settlement. Details of the Final Settlement were announced on 6 February 2020 and confirmed in Parliament on 24 February 2020.
- 1.2 The assumptions summarised in this report were reflected in the £3.6m forecast budget surplus which was reported to the Cabinet in November 2019. Since then, further work on expenditure estimates, and further details of the Local Government Finance Settlement for 2020/21, have resulted in a minor improvement in the position, and a budget surplus of £4.010m is now forecast for 2020/21.
- 1.3 This provides significant flexibility for the Council to consider new investment proposals in its 2020/21 budget strategy. This positive position has been made possible by the Council's strong financial management, a focus on inclusive economic growth, and decisive and planned decision-making by Members over the last ten years.
- 1.4 While there is a relatively positive position in 2020/21, the Council's financial position from 2021/22 onwards is very hard to predict given the continuing uncertainty around a number of influencing factors. Given this uncertainty, it is suggested that the focus in 2020/21 should be on one-off investment with permanent investment being limited to key priority areas.

- 1.5 This report also sets out the Cabinet's proposed 2020/21 Pay Policy. The proposed Policy notes that, assuming a 2% local government pay award in 2020, the Council's lowest paid employees will be paid an hourly rate of £9.43 from 1 April 2020. This will exceed the prevailing Living Wage rate of £9.30. At the same time, the Pay Policy will maintain the principle adopted in recent years that senior officer pay must not exceed a fixed proportion (3%) of the Council's total service expenditure budgets. Current spending on senior officers is well within this limit (at 2.6%).

2. RECOMMENDATIONS

Members of the Council are recommended to:-

- (a) Endorse the approach to reserves and general balances as set out in section 4 of this report;
- (b) Use the financial forecasts detailed in section 5 of this report as the financial context for agreeing the Authority's 2020/21 revenue budget and associated Council Tax; and,
- (c) Approve the Cabinet's proposed Annual Pay Policy as discussed in section 6 of this report and set out in full at Appendix A to this report.

3. KEY INFLUENCES ON THE FINANCIAL FORECASTS

3.1 Local Government Finance Settlement 2020/21

3.1.1 The Final Local Government Finance Settlement was announced on 6 February 2020. The Final Settlement was largely in line with the Council's estimates (as reported to the Cabinet in November 2019) and represents a much-needed increase in the Council's funding levels - this increase should be seen in the context of the significant cuts arising from the three previous Government Spending Reviews since 2010. Knowsley has lost over half of its Government grant funding (equivalent to £485 for every resident) and has had to make £100m of permanent savings over the last ten years.

3.1.2 The main areas of increased funding are £5.850m for Adult and Children's Social Care (including the Winter Pressures Grant of £0.977m which was previously assumed to be a one-off payment for 2019/20) and Government permission for local authorities to charge a further 2% Adult Social Care Council Tax Precept in 2020/21 (i.e. over and above the Government's previous assumption that local authorities would increase Council Tax by up to 2%).

3.1.3 The final Dedicated Schools Grant allocations were announced by the Government on 19 December 2019. There has been an overall increase of £10.8m (8.6%) in the funding available to schools and nurseries in Knowsley. The Council has worked closely with the Schools Forum and with individual schools and nurseries to agree the allocation of this additional funding. The allocations ensure that each Knowsley school will receive a per pupil increase of at least 1.84% in 2020/21.

3.2 *Council Tax*

3.2.1 The 2020/21 Council Tax Base report to the full meeting of the Council on 29 January 2020 noted that the 2020/21 Tax Base will generate extra Council Tax receipts for the Council of £1.386m per year (before any annual increase in the level of Council Tax for 2020/21). Much of this 2.6% increase arises from the Council's highly successful economic growth strategy of encouraging and accelerating new house building in the Borough. Other factors include reduced take-up of the Local Council Tax Reduction Scheme; this is in part due to the increase in the national retirement age, which means there are fewer pensionable age claimants.

3.2.2 Using the new Tax Base, the Council can generate a further £0.546m of permanent resources for every 1% increase in the 2020/21 level of Council Tax. For planning purposes, the forecasts in this report assume that the Council Tax in 2020/21 will increase by 3.99% overall (a 1.99% general increase plus 2% for the Adult Social Care Precept, the income from which will be ring-fenced for Adult Social Care services).

3.3 *Future Changes to Local Government Funding and Business Rates Retention*

3.3.1 The forecasts for 2021/22 and beyond remain subject to a range of significant but highly uncertain influences, notably including the Government's approach to the local government funding system, the future of social care and public health funding, and the impact of Brexit.

3.3.2 The Chancellor of the Exchequer has confirmed that a full Spending Review and the Fair Funding Review will both now be undertaken during 2020. The Fair Funding Review is a technical consultation on the extent to which relative needs should be taken into account in a future local government funding system. The outcome of these reviews will be very important for Knowsley and the wider Liverpool City Region, as needs-based funding is fundamental to the sustainability of local services in more deprived areas. Knowsley will continue to co-ordinate consultation responses on behalf of the Liverpool City Region local authorities.

- 3.3.3 Recent media coverage of an illustration of the Government's "Fair Funding" proposal showed Knowsley as potentially the worst affected local authority in the country with a 30% (£11m) annual reduction in general funding. The illustration clearly showed a movement of funding from deprived urban areas to more affluent areas of the country, particularly shire counties. The Government has responded to the coverage by stating that the quoted figures were only an early illustration and not a proposal. The impact of such a reduction in Knowsley would be catastrophic in terms of service provision. The future funding estimates included in this report do not reflect such reductions in Government funding. At the time of writing this report, it was also being widely reported that the Chancellor of the Exchequer and the Prime Minister had written to Government Departments seeking 5% cuts to help fund the Government's Manifesto pledges. As local government did not feature to any great extent in the 2019 Conservative Party Manifesto, this is a further cause for concern for future funding. It has however been confirmed that any funding reductions will not impact on the Final Local Government Settlement figures for 2020/21. Through lobbying of the Government via the Local Government Association, special interest groups, local Members of Parliament, and as part of the Liverpool City Region, the Council will continue to call for an actual "fair" funding settlement.
- 3.3.4 The Government has confirmed that Knowsley will continue in 2020/21 to be part of the Liverpool City Region pilot scheme for 100% local Business Rates retention. Under this scheme, the Council retains 99% of the total Business Rates raised in the Borough, and 1% is passed to the Merseyside Fire and Rescue Service. As previously reported, Knowsley has benefitted considerably from the ability to retain all of the recent growth in Business Rates which has been achieved through the Council's economic growth initiatives and programmes.
- 3.3.5 The Government has announced an aspiration for the national Business Rates scheme in future years to be based on local authorities retaining 75% of the income raised locally. This potential change in policy introduces a significant element of uncertainty from 2021/22 onwards. It is essential for Knowsley (and other neighbouring local authorities) that the 25% of local government funding distributed by the Government is allocated on a needs basis – this point has been emphasised in the Liverpool City Region's responses to Government consultations on this issue.
- 3.3.6 To help to plan for this potential risk, the financial forecasts include an assumption that only a proportion of future growth in Business Rates is available for allocation on a permanent basis.

- 3.3.7 Each January, the Council submits a National Non-Domestic Rates Return (NNDR1) to the Government which shows the estimated Business Rates income which the Council expects to receive in the following financial year, as well as the forecast year-end surplus or deficit for the current financial year. Based on the latest Return for 2020/21, a total of £2m of forecast growth in Business Rates receipts for 2020/21 has been set aside to provide one-off transition funding for the Council in case there is a need to manage a sharp reduction in future funding levels. The Executive Director (Resources) will also monitor the Council's Business Rates funding during the year to determine whether further one-off amounts should also be set aside for this purpose.
- 3.3.8 Beyond this, the 2020/21 Final Settlement has not given any further indications of the likely direction of future Government policy changes. This lack of clarity from the Government makes planning for the medium-term very difficult and therefore at this stage only the forecasts for 2020/21 can be reported with any confidence.
- 3.3.9 Indicative forecasts for future years are below, based on the assumption that the Council's grant funding will be maintained at current cash values:-

Medium-Term Financial Forecast	2020/21 £m	2021/22 £m	2022/23 £m
Forecast Surplus	4.010	1.851	0.141

- 3.3.10 The 2020/21 forecast provides significant flexibility for the Council to consider new investment proposals in its 2020/21 budget strategy. However, given the future uncertainty, it is suggested that the focus in 2020/21 should be on one-off investment with permanent investment being limited to key priority areas. Decisions to allocate significant permanent funding at this stage would reduce the surpluses currently forecast for future years and will require savings to be identified in future years, particularly if future funding settlements are worse than anticipated.

3.4 *Expenditure Assumptions*

3.4.1 A wide range of estimates and assumptions are made in updating the medium term expenditure forecasts, including the latest information on:-

- Pay inflation;
- Superannuation costs;
- Treasury management interest rates and borrowing requirements;
- Levies; and,
- Potential financial pressures arising from:-
 - The increased costs of existing service levels;
 - Legislative and demographic changes; and,
 - National or local policy changes.

3.4.2 The forecasts have been revised to take account of the latest information in respect of these areas. Since the report to the Cabinet meeting on 12 February 2020, discussions have been held with Merseyside Pension Fund regarding the pre-payment of the Council's future service (variable rate) superannuation contributions in order to generate overall savings. There is an option to pre-pay 80% of the contributions for the period 1 April 2020 to 31 March 2023 (estimated at £32.683m, which would generate estimated savings of £1.940m over the three-year period. It is expected that the pre-payment would be financed in April 2020 from available cash balances, which would then be replenished from the Council's budgeted superannuation contributions over the next three years.

3.5 *Children's Social Care Financial Strategy*

A full report on a new Children's Social Care Financial Strategy was considered and approved by the Cabinet on 12 February 2020. That report reflected specific inflationary and demand pressures facing Children's Social Care services of £1.8m in 2020/21, rising to £3.5m by 2022/23. These pressures have now been built into the Council's overall medium-term financial forecasts.

3.6 *Future Year Savings*

The 2019/20 Revenue Budget Monitoring – Quarter Three Update report elsewhere on this agenda sets out the good progress being made in implementing the previously approved savings of £4.427m scheduled for implementation in 2019/20. The financial forecasts for 2020/21 therefore assume the full achievement of the remaining approved savings.

4. COUNCIL RESERVES AND BALANCES

4.1 Earmarked Reserves

4.1.1 Reserves are one-off in nature and are not a sustainable solution to permanent expenditure pressures.

4.1.2 The Council maintains its earmarked reserves for specific future policy developments and projects, and reviews these on a regular basis to identify resources which may be redirected to other Council priorities. A full update on all one-off resources available for reallocation is included in the 2020/21 Revenue Budget report elsewhere on this agenda.

4.2 General Balances

4.2.1 General Balances represent a financial safety net in the event of unforeseen costs or emergencies. The Council has previously approved a policy of maintaining General Balances of no less than 3% of the annual net revenue budget. This approach is based on recommended best practice and takes into account the strategic, operational and financial risks facing the Authority.

4.2.2 At 1 April 2019, General Balances stood at £4.984m. Based on the forecasts set out in this report, Balances at this level would represent 3% of the forecast 2020/21 net revenue expenditure budget. Given the uncertainty of future financial challenges, the financial forecasts in this report assume that the level of General Balances is retained at this amount for 2020/21.

5. 2020/21 FINANCIAL FORECASTS AND BUDGET SETTING

5.1 The changes and revised assumptions summarised in this report were reflected in the forecast £3.6m budget surplus set out in the Medium-Term Financial Strategy report to the Cabinet on 20 November 2019. Since then, further work on expenditure estimates and further details of the Final Local Government Finance Settlement for 2020/21 have resulted in a minor improvement in the position, and a budget surplus of £4.010m is now forecast for 2020/21.

5.2 The forecast provides significant flexibility for the Council to consider new investment proposals in its 2020/21 budget strategy. Given the uncertainty over Government funding levels from 2021/22 onwards, it is suggested that the focus in 2020/21 should be on one-off investment with permanent investment being limited to key priority areas. At the November 2019 Cabinet meeting, Members agreed that the approach to making investment and resource allocation decisions for 2020/21 should reflect consideration of:-

- A focus on one-off investment;
- Permanent investment limited to key priorities;
- The sustainability of current service funding;
- The practical impact on key public services;
- Desired improvements in performance;
- The level of Council service costs in comparison to other local authorities; and,
- Planning for future years' budget strategies.

5.3 The Cabinet agreed on 12 February 2020 to table proposals in this respect at the meeting.

5.4 As and when the Government's intentions regarding future funding levels are clarified in the coming months, the Council will need to consider how it responds to any resulting new financial challenges in 2021/22 and future years.

6. 2020/21 ANNUAL PAY POLICY

6.1 The Council is required to publish an Annual Pay Policy Statement, which must be approved by a full meeting of the Council prior to each financial year. In accordance with legislation, the Cabinet's proposed Annual Pay Policy Statement for 2020/21 is attached for consideration at Appendix A to this report. The legal provisions do not apply to teaching or other school-employed staff and therefore they are not included in the scope of the Statement.

6.2 The proposed Annual Pay Policy Statement for 2020/21 sets out the Council's pay structure and policies, particularly in relation to:-

- Overall pay strategy;
- Chief officer remuneration;
- Remuneration of the Council's lowest paid employees;
- The relationship between chief officer remuneration and that of other employees; and,
- Revised arrangements for employees leaving employment under the terms of the Council's Early Retirement and Voluntary Severance Scheme.

6.3 *The Council's Early Retirement and Voluntary Severance Scheme*

6.3.1 Changes are proposed to the Early Retirement and Voluntary Severance Scheme in order to provide greater clarity on the consideration and approval of business cases in relation to the departures of individual employees where the cost of full pension capitalisation is unaffordable and/or where the employee wishes to leave the Council on agreed terms.

6.3.2 The current Early Retirement and Voluntary Severance Scheme generally requires the resulting vacant post to be disestablished if the full capitalised pension costs are to be met. Increasingly, however, posts vacated via early retirement and/or voluntary severance cannot be disestablished as in many cases service capacity still has to be maintained. This has led to the emergence of business cases involving partial savings linked to the part-payment of capitalised pension costs.

6.3.3 To ensure that pension scheme regulations continue to be properly applied, whilst safeguarding the Council against future employee claims for loss of contractual or pension benefits, it is proposed to clarify the Scheme to reflect this flexibility and to require early retirement and/or voluntary severance applicants to sign settlement agreements before leaving the Council's employment. Any such business case would not be finalised until such an agreement had been signed and such cases would be notified on a quarterly basis to the relevant Cabinet Members.

6.4 *Re-employment of Former Council Employees*

6.4.1 It is also proposed to amend the Pay Policy in respect of the conditions under which the Council would consider an application for re-employment, i.e. where the candidate for employment is also a former employee who left the Council under the Early Retirement and/or Voluntary Severance Scheme. Currently, the Council's Pay Policy does not allow former employees who have left as a result of early retirement and/or voluntary severance to be re-employed.

6.4.2 In light of emergent workforce needs in certain critical parts of the Council's workforce, it is proposed that re-employment should be considered in future following a period of two years after the former employee's leaving date, but only in circumstances where such re-employment would help to overcome recruitment and retention challenges, particularly in service areas which are prioritised within the Corporate Plan. Subject to these changes being approved, the At-Risk, Redundancy and Redeployment Policy and the Early Retirement and Voluntary Severance Scheme would be updated to reflect the new conditions. The Authority to Appoint process would also be amended to include a statement from the recruiting manager that these conditions had been taken into account and properly applied.

6.5 *Living Wage*

6.5.1 In keeping with the Council's commitment to tackle low pay, the Council has paid all employees at least at the level of the Living Wage as calculated and recommended by the Living Wage Foundation. This policy has been in place since 2015.

6.5.2 The Government's "National Living Wage" (which is effectively the statutory National Minimum Wage) will increase to £8.72 per hour from April 2020. While the Government had previously committed to increasing the rate to £9 per hour by 2020, the Chancellor of the Exchequer has more recently indicated a new target of £10.50 to be reached by 2024.

6.5.3 The Living Wage Foundation announced an update to the Living Wage rate of £9.30 per hour on 11 November 2019. In line with the prevailing Council policy, it would normally be recommended that this increased rate should be applied to the relevant Council employees with effect from 1 April 2020. However, assuming a pay settlement of at least 2% for 2020/21, the Council's lowest paid employees would already be paid from 1 April at an hourly rate of £9.43, effectively meaning there will be no need to apply the latest increase in the Foundation's Living Wage.

6.5.4 An estimated local government pay award of 2% has been applied to the Council's pay budgets as part of the medium-term financial forecasts set out elsewhere in this report. In addition, one-off funding has been set aside as a temporary contingency for the potential impact of a further 1% increase in the award. The permanent funding of any pay award above 2% would therefore need to be resolved as part of future year budget setting.

6.6 *Senior Officer Pay*

6.6.1 Senior officer posts are currently defined in the Council's Pay Policy as including the Council's Head of Paid Service (the Chief Executive), Executive Directors, and Assistant Executive Directors. These categories cover all of the Council's statutory chief officers in accordance with the Local Government and Housing Act 1989 and the Localism Act 2011.

6.6.2 In respect of the overall cost of the Council's wider senior officer structure (i.e. all officers paid at grade Principal Manager Grade 1 or equivalent), it is clearly important that the management of Council services continues to be as efficient and effective as possible. As the shape and size of Council services changes, so too should the Council's senior officer structure. Over recent years, posts at the wider senior officer level have been reduced far more extensively than the remaining officer structure. The Council's current Pay Policy specifies that the total pay budget for officers paid at grade Principal Manager Grade 1 (or equivalent) and above should not exceed 3% of the Council's total service expenditure budgets. At present, the budgets for these senior officer posts continue to be well within this limit (at 2.6%), and it is proposed that this approach should continue in 2020/21.

7. RESOURCE IMPLICATIONS

7.1 Financial Resources

This report sets out the context within which the Council must make decisions for its future financial strategy. The 2020/21 Revenue Budget report elsewhere on this agenda sets out further information for the Council to consider in agreeing the 2020/21 revenue budget and Council Tax.

7.2 Other Resources

There are no other resource implications arising from this report.

8. EQUALITY AND SOCIAL VALUE IMPACT

8.1 Equality and Diversity

There are no issues arising from the Equality Impact Assessment for this report, which is attached at Appendix B. Decisions on the allocation of resources taken as part of the Council's budget and Capital Programme will be reflected in the associated Equality Impact Assessments. An equality and diversity assessment is undertaken as part of the development of all budget options, so that the implications are fully understood prior to decisions being made.

8.2 Social Value

There are no social value implications arising directly from this report. Decisions taken on the allocation of resources as part of the Council's budget and Capital Programme will help communities to become more resilient by reducing future demand for services.

9. COMMUNICATION ISSUES

There are no communications issues arising directly from this report.

JAMES DUNCAN
Executive Director (Resources)

Contact Officer:	James Duncan	(0151)-443 3407
	Dan Barlow	(0151)-443-3622
	Dave Turner	(0151)-443-2951

Appendices:-

Appendix A Proposed Pay Policy Statement - March 2020
Appendix B Equality Impact Assessment

Background Documents:-

None

**KNOWSLEY METROPOLITAN BOROUGH COUNCIL
PROPOSED PAY POLICY STATEMENT – MARCH 2020**

INTRODUCTION

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

In 2019/20, the Council had an overall pay bill of £83.3m 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 2,571 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.

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 on the staffing budget. All new posts or changes to job roles continue to be subject to the agreed job evaluation schemes and the pay review principles applied in 2014.

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 6,171 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 since 2015 and is greater than the rate, which the Government introduced from April 2016, although it theoretically applies only to staff over 25 years of age. The Government's minimum wage rate is referred to as the "National Living Wage".

The Living Wage Foundation rate 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.

Since 2015, the Council has rigorously reviewed and challenged senior officer pay costs. This approach has delivered overall savings of over £8.3m in senior officer costs since 2010, along with a reduction of almost 50% in senior officer posts. This has been a far more extensive reduction in posts than the reductions, which have been applied to the wider employee structure. The Council undertook a further review of its senior officer workforce in March 2019 and this resulted in the disestablishment of further posts releasing permanent savings of £0.375m.

Looking ahead, as the size and shape of Council services continues to change, the cost of senior officers will continue to be challenged. In addition to savings, which can be achieved through management reorganisations, the Council will also ensure that senior officer costs never exceed 3% of the Authority's total annual gross expenditure. Current senior officer spending is well within this limit (at 2.6%).

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, the Pay Policy Statement is 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. In April 2019, the Council did not need to apply the Living Wage as the Council's minimum pay rate of £9.25 per hour already surpassed the prevailing Living Wage rate of £9 per hour.
- 2.2 In April 2019, a one-year pay settlement was agreed following national pay bargaining between the local government employers and trade unions. Part of that settlement involved the implementation of a new national pay spine, which consolidated various pay points at the lower end of the pay spine. The effect of this agreement, along with the overarching pay settlement, was an annual pay award ranging from 2% for the majority of Council staff to 7% at the lower end of the pay spine.

- 2.3 In consultation with its trade unions, the Council adopted the new pay spine at the time. The differential pay changes set out in paragraph 2.2 above helped to keep the Council's entry-level salary above both the National Living Wage and the (higher) Living Wage. At the point of compiling this Pay Policy Statement, the 2020/21 local government pay agreement is yet to be settled. Subject to the final agreement, it is anticipated that the Council will continue to apply minimum pay rates above the National Living Wage and Living Wage rates.
- 2.4 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.
- 2.5 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.
- 2.6 New appointments will normally be made at the minimum of the pay scale for the relevant 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.
- 2.7 Following implementation of the pay and grading review in 2014, the Authority agreed a policy on the application of market supplements. Subject to the satisfaction of qualifying criteria, this policy allows the Council 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 Executive Director/Assistant Executive Director approval in consultation with the Cabinet Member under whose remit the specific service falls. 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 (the Chief Executive), Executive Directors 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 2019):-

Post Title	Salary Band
Chief Executive	£169,810 per annum (fixed salary)
Executive Directors	£108,254 to £118,867 per annum
Assistant Executive Directors	£85,000 to £102,842 per annum

3.3 In respect of the overall cost of the Council's wider senior officer structure (i.e. all officers paid at grade Principal Manager Grade 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. Current spending on senior officers is well within this limit (at 2.6%).

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
Senior officers involved in the provision of emergency duty support	Duty payments as determined locally depending on the duties concerned
All eligible employees at all grades	Pension contributions paid to the Local Government Pension Scheme. The relevant 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. These provisions will only be applied in exceptional circumstances, i.e. where such an approach is clearly in the best interests of the Council, and following appropriate discussions with the relevant Cabinet Members. In such circumstances, all appropriate financial procedures and HM Revenue and Customs guidelines will be followed.

5. Senior Officer Recruitment

- 5.1 Apart from the potential application of a market supplement payment as described in paragraph 2.7 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 and updated further as part of a Senior Officer review in March 2019. The Council’s senior officer pay structure was unaffected by the implementation of the new national pay spine (as mentioned in paragraph 2.2 of this Statement).

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 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. Where such an arrangement included associated additional remuneration for a senior officer at Assistant Executive Director or above, the proposal would be considered and determined by the Council's Employment and Appointments Committee. Any agreed additional remuneration would thereafter 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, such a termination may 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 and are regularly reported to the relevant Cabinet Member.

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 The Council has applied the Living Wage for Knowsley Council employees since October 2015 and until 2019 continued this approach as part of the pay strategy. The Government's "National Living Wage" (i.e. the new statutory National Minimum Wage) became £8.21 per hour with effect from 1 April 2019 and will increase to £8.72 per hour with effect from 1 April 2020. 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.

9.2 Currently, the Council's lowest paid employees are remunerated at £9.25 per hour - an equivalent rate of £17,364 per annum. The current Living Wage Foundation rate is £9.30 per hour or an equivalent rate of £17,457 per annum. Foundation Living Wage employers are expected to apply this rate by 1 May 2020. It is anticipated that the application of the 2020 local government pay settlement from April 2020 will result in Council employees being paid an hourly rate, which will be higher than the Foundation's Living Wage rate.

9.3 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 Government's stated target for the relationship between any organisation's highest paid and lowest paid employee is 20:1. At a rate of less than 10:1, the current ratio in Knowsley is significantly better than this target.

- 9.4 The median average pay (excluding National Insurance and Superannuation oncosts) of a full-time employee within the Council is currently £23,836. The mean average is £26,713. 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.
- 9.5 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. Gender Pay Gap

In accordance with the requirements of the Equality Act 2010, the Council publishes its Gender Pay Gap on an annual basis. In March 2017, the Council's median pay gap was 11.62%. By March 2018, the median pay gap had reduced to 9.61% and it reduced further to 9.22% by March 2019. These figures compare favourably to the national average median pay gap of 17.3%. General improvements have been agreed with a view to reducing this gap further. These include assessing the impact of new national pay spine, reviewing the robustness of equality impact assessments in respect of service reviews, job changes and changes to terms and conditions of employment, reviewing the composition of leadership development programmes, introducing a Council Succession Planning and Talent Management Scheme, and investigating the gender pay gap by quartile and service area. The Council's Gender Pay Gap information and the required written statement are available on the Council's website

11. Accountability and Decision-Making

In accordance with the Council's Constitution, the Employment and Appointments 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. The equivalent conditions for all other Council employees are determined in line with the Council's Constitution and the associated Scheme of Delegation.

12. Re-employment/Re-engagement of Former Officers

The Council will not re-employ any individual who was previously made redundant by the Council, and will not later re-engage such individuals under a contract for service, unless a period of two years after the previous leaving date has elapsed and only then, in circumstances where the re-employment helps to overcome recruitment and retention challenges, particularly in service areas which are prioritised within the Corporate Plan. This requirement will be built into the Council's recruitment procedure and the Authority to Appoint process in order to safeguard against any inappropriate employment offer being made.

Knowsley Council
March 2020

EQUALITY IMPACT ASSESSMENT

Service Area: Financial Management Service	Head of Service: Head of Finance	Completed by: Paula Deegan	Date: 14 February 2020
Title:	Medium-Term Financial Strategy		
Brief Description:	The report sets out the Council's medium-term financial projections, which have been fully updated and provide context for the Council's budget considerations.		
Give details, with evidence, of the impact of the policy/plan/project on each of the protected characteristics in relation to the general duty:- 1. Eliminate discrimination, harassment and victimisation 2. Advancing equality of opportunity between people who share protected characteristics and those who don't share it 3. Foster good relations between people who share a protected characteristic and those who don't			
Does the proposal have a direct impact on people?	No. The decisions in this report have no direct impact on people. Equality and diversity assessments are undertaken as part of the development of all budget savings and investment options, so that the implications are fully understood prior to decisions being made.		
If yes, please complete the grid below. If no, consider whether or not an Equality Impact Assessment is necessary, if not state why not and exit process.	An Equality Impact Assessment is not necessary in this case as there are no outcomes which impact directly on people of different groups and the decisions do not discriminate against any particular group of people.		