

# **KNOWSLEY METROPOLITAN BOROUGH COUNCIL**

## **PAY POLICY STATEMENT – MARCH 2019**

### **INTRODUCTION**

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

In 2018/19, the Council had an overall pay bill of £79.3m 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 2,594 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 4,919 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 wage 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.

Since 2015, the Council has rigorously reviewed and challenged senior officer pay costs. This has achieved overall savings of over £8m in senior officer costs since 2010 – along with a reduction of almost 50% of senior officer posts. This has been a far more extensive reduction in posts than the reductions that have been applied to the wider employee structure.

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 that can be achieved through management restructures, the Council will also ensure that senior officer costs never exceed 3% of total gross expenditure each year. Current senior officer spending is well within this limit.

## **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 2018/19, the Council once again applied 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. The need to continue application of the Living Wage beyond 1 April 2019 will be determined by the local impact of national pay changes.
- 2.2 In April 2018, following national pay bargaining between the local government employers and trade unions, a two-year pay settlement and changes to the National Joint Council's pay spine were agreed.
- 2.3 From 1 April 2018 ("Year One"), a bottom-loaded pay award was applied to salary ranges from Spinal Column Points 6 to 19. For posts involving salaries at Spinal Column Point 20 and above, a flat-rate increase of 2% was applied.

- 2.4 From 1 April 2019 (“Year Two”), a similar bottom-loaded or 2% pay award (subject to the Spinal Column Point in question) will result in a minimum Council pay rate of £9.25 per hour or £17,364 per annum. The Living Wage rate applicable on 1 April 2019 will be £9 per hour or, based on the Council’s 36-hour standard working week, £16,894 per annum.
- 2.5 In addition to the application of the Year Two pay award, the new national pay spine will take effect from 1 April 2019 and all employees in receipt of salaries between current Spinal Column Point 6 and 49 will be assimilated into the new pay spine. These changes will help to keep the Council’s entry-level salary above both the National Living Wage and the Foundation’s Living Wage.
- 2.6 Whilst the revised pay spine was developed and agreed at a national level, local pay structure variations required the Council to engage with local joint trade unions about local assimilation arrangements. Agreement has since been reached concerning the local application of the pay spine with effect from 1 April 2019.
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 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 Executive Director/Assistant Executive Director approval in consultation with the Executive 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, 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 2018):-

Post Title	Salary Band
Chief Executive	£166,480 per annum (fixed salary)
Executive Directors (including the Assistant Chief Executive)	£106,131 to £116,536 per annum
Assistant Executive Directors	£90,212 to £100,825 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. In relation to 2018/19, a national pay settlement of 2% was agreed and applied to Chief Officers and Chief Executives, with the same settlement applicable from 1 April 2019.
- 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. Current spending on senior officers is well within this limit.

#### **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 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. 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 Executive Members.

#### **5. Senior Officer Recruitment**

- 5.1 Apart from the potential application of a market supplement payment as described in paragraph 2.10 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 where this includes associated additional remuneration would be considered and determined by the Council's Employment and Appointments Committee. Any agreed additional remuneration 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 and are regularly reported to the relevant Executive Member.
- 7.4 Through the Enterprise Act 2016, the Government intends to apply regulations to set caps 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 his/her earlier redundancy. To date, the regulations in question have not been applied and remain subject to future Government decisions regarding this matter.

## **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 has continued this approach as part of the pay strategy. The Government's "National Living Wage" (i.e. the new statutory National Minimum Wage) became £7.83 per hour with effect from 1 April 2018 and will increase to £8.21 per hour with effect from 1 April 2019. 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 employee is remunerated at £8.75 per hour - an equivalent rate of £16,425 per annum. From 1 April 2019, the lowest paid employee in the Council will be remunerated at £9.25 per hour - an equivalent rate of £17,364 per annum.
- 9.3 As a result of the application of the 2019 local government pay settlement, Council employees will be paid an hourly rate which is higher than the Foundation's Living Wage rate.
- 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 Government's stated target for the relationship between any organisation's highest paid and lowest paid employee is 20:1. At a rate of 10:1, the current ratio in Knowsley is significantly better than this target.
- 9.5 The median average pay (excluding National Insurance and Superannuation) of a full-time employee within the Council is currently £23,111. The mean average is £26,110. 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. 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 relation to March 2017, the Council's median pay gap was 11.62%. In relation to March 2018, the median pay gap had reduced to 9.61%. These figures compare to a national average median pay gap of 18.4%. Measures have been agreed aimed at reducing this gap further in the future. 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.

## **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.