

ITEM 6

Staff Pay Award for 2014/15

Report of the Chief Executive (Leader's Portfolio)

Recommended:

That a pay increase be awarded to staff with effect from 1 April 2014 in accordance with the recommendation in paragraph 6.6.

SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2014/15
- The Council's approved budget for 2014/15 contains provision for a potential pay award
- The Report recommends awarding an increase as follows:
 - For an hourly rate of £7.65 to be the lowest pay point for all staff (except apprentices)
 - An overall increase on all scale points of 2.5%

1 Introduction

1.1 Following consultation with their members, the trade unions (Unison, Unite and GMB) have submitted a pay claim for the year 2014/15 which is reproduced in full in Annex One to this Report and can be summarised as follows:

- For an hourly rate of £7.65 to be the lowest pay point so that no-one at TVBC earns less than the Living Wage
- For an overall increase on all scale points of 3.1% to reflect the current Retail Price Index

1.2 The second limb of the claim is intended to apply to all Council employees, whilst the first is not intended to apply to apprentices who fall outside the ambit of both the Living Wage and the statutory national Minimum Wage.

2 Background

2.1 The Council is not a party to the national pay bargaining arrangements for local government; its pay framework is based on locally agreed pay arrangements for all employees.

2.2 Recent pay awards to TVBC staff have been as follows:

2010/11 - no pay award

2011/12 - no general pay award but a one-off payment of £250 was made to staff whose full time equivalent earnings during the year were less than £21,000.

2012/13 - pay award comprising a 1% increase to all employees subject to a minimum increase of £250.

2013/14 - pay award comprising a 1% increase to all employees subject to a minimum increase of £250.

2.3 To avoid confusion, it might be helpful to remind Members that the Treasury has no say in local government pay awards which are the subject of negotiation between Employers and Unions at a national level. As noted above, this Council is not a party to those national arrangements. The current position in that negotiation is that a first offer has been put forward by the “Employers’ Side” of a 1% increase for staff earning £14,880 or more (with an additional sum for those earning less to keep their hourly rate at least 25p above the national minimum wage).

2.4 Following receipt of the pay claim, the Chief Executive was instructed by Portfolio Holders to undertake further negotiations with the unions. The aim was to establish whether it was possible to reach provisional agreement on a claim which could be brought before General Purposes Committee and which the Chairman would be willing to recommend to members of this Committee.

3 Corporate Objectives and Priorities

3.1 The issue of staff welfare, and valuing our staff, relates directly to the Council’s Vision *to be an organisation of excellence* committed to improving the quality of life of all the people of Test Valley.

4 Consultations/Communications

4.1 The matter has been the subject of consultation with relevant Portfolio Holders and of negotiation with the unions.

5 Information Relating to the Claim

5.1 The first limb of the claim refers to the Living Wage. This needs to be distinguished from the national Minimum Wage which is set by law. Promoted by a charitable body (the Living Wage Foundation), the Living Wage is based on a calculation of minimum living costs for basic needs such as housing, food, utilities, transport, health care, and recreation. This is then translated into a wage requirement based on a weighted average of the wage for different household groups. Employers are invited to sign up voluntarily to a commitment to pay the Living Wage. Further information is available at: <http://www.livingwage.org.uk/what-living-wage>

- 5.2 The unions' claim is carefully phrased. It avoids asking TVBC to make a commitment to becoming a Living Wage Employer. Such a commitment would run the risk of taking the rate of future increases outside Members' control and tying the Council into increases which outstrip TVBC's pay awards. (The rate has increased by 3.47% and 2.68% over the last 2 years).
- 5.3 As regards this first limb of the claim, the relevant section of the Council's pay scales is set out in Annex Two to this Report (for the sake of completeness, the potential impact of percentage increases is included but they are of no great relevance in the context of this Report). The aim of the claim (making £7.65 per hour the lowest pay point) could be achieved by not appointing to salary grade points 2.1, 2.2 and 3.1. The following numbers of staff are currently on these grades (each grade has 5 incremental points which staff progress through, usually on 1 April each year)

Grade 2.1	5
Grade 2.2	5 (all due to move to 2.3 on 1/4/14)
Grade 3.1	4 (3 of 4 due to move to 3.2 on 1/4/14)

- 5.4 If the option of not appointing to salary grade points 2.1, 2.2 and 3.1 is taken forward, this will have a cost implication as regards 5 members of staff advancing from grade 2.1 to 2.3 on 1/4/2014. They would normally progress to 2.2 on 1.4.2014 in any event, so the additional cost is the difference between salary point 2.2 and 2.3 (£690 per person). There will also be an additional cost in respect of the one member of staff who will advance from 3.1 to 3.2 earlier than anticipated. This will come with an additional cost of £735. The total additional cost would therefore be £4,185 (excluding on-costs). There would also be a small additional cost built into the business for the future.
- 5.5 In the normal course of business, the Council recruits into vacancies during the year at a different scale point to that which the previous postholder occupied, and all such variances are managed within manpower budgets. It is anticipated that this cost of £4185 could be managed in the same way, and therefore accommodated within existing budgets.

- 5.6 The second element of the unions’ claim relates to an increase on all scale points of 3.1%. The cost of this claim and of other percentage increases are set out below:

Cost of pay awards	
	£'000
Pay claim from unions: 3.1%	496
Comparators	
1.5%	240
2.0%	320
2.5%	400
3.0%	480

6 Options and Option Appraisal

- 6.1 The first option relates to whether or not it is appropriate in the present circumstances to make a pay award. This remains a sensitive issue. It involves, amongst other things, balancing the duty to make efficient and prudent use of public funds in a time of economic austerity with the need to recognise the contribution made by staff and to maintain a high performing organisation.
- 6.2 On the one hand, the Council’s finances remain under severe pressure as cuts in government funding continue to bite. A pay freeze would offer the valuable opportunity for a base budget saving.
- 6.3 On the other hand, members were mindful in preliminary discussions on this matter that TVBC staff (along with many others) have seen an erosion in the ‘real’ value of their earnings over the recent years of pay restraint. Members also noted the positive attitudes consistently displayed by the vast majority of staff over that same period, and the consequential impact upon organisational performance.
- 6.4 Against this background, the Chief Executive was given a mandate by Portfolio Holders to seek to reach provisional agreement (that is, subject to the decision of this Committee) with the unions on a pay increase.
- 6.5 The second option relates to the size and nature of any such increase which is a matter for Members’ judgement.

6.6 The eventual outcome of the discussions alluded to in the above paragraph was an agreement that the Chairman would recommend to this Committee and that the unions would recommend to their members the following:

- For an hourly rate of £7.65 to be the lowest pay point for all staff (except apprentices)
- An overall increase on all scale points of 2.5%

6.7 The outcome of the unions' consultation with their members will be reported to the Committee.

7 Resource Implications

7.1 As noted above, the cost of the minimum hourly rate can be contained within the ebb and flow of manpower budgets.

7.2 The cost of an overall increase of 2.5% would be £400,000 which can be contained within the Council's budgetary provision for 2014/15 for Inflation and Corporate Contingencies.

8 Risk Management

8.1 A risk assessment has been completed in accordance with the Council's Risk management process and the existing risk controls in place mean that no significant risks (Red or Amber) have been identified.

9 Legal Implications

9.1 None

10 Equality Issues

10.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

11 Conclusion

11.1 The proposals contained in this report seek to strike a balance between prudent financial decision making and demonstrating recognition of the value of the Council's staff.

Background Papers (Local Government Act 1972 Section 100D)

Information about the Living Wage - <http://www.livingwage.org.uk/what-living-wage>

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	2		
Author:	Chief Executive	Ext:	8101
File Ref:			
Report to:	General Purposes Committee	Date:	16 April 2014