

## ITEM 7

## Staff Pay Award for 2015/16

Report of the Chief Executive

### Recommended:

**That a pay increase be awarded to staff with effect from 1 April 2015 in accordance with the recommendation in paragraph 6.7**

#### SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2015/16
- The Council's approved budget for 2015/16 contains provision for a potential pay award
- The Report recommends the following:
  - An increase of 2.5% on all points of TVBC's Pay Scales
  - The Council's lowest pay point will continue to exceed £7.85 per hour for all employees (except apprentices)

### 1 Introduction

1.1 Following consultation with its members, Unison have submitted a pay claim on behalf of its members, and those of GMB and Unite, for the year 2015/16 which is reproduced in full in Annex One to this Report and can be summarised as follows:

- A 3% across the board increase on all salary points and allowances (that is, an increase on all points of TVBC's Pay Scales)
- A continuing commitment to pay at least the living wage to its lowest paid employees.

1.2 The first limb of the claim is intended to apply to all Council employees, whereas the second 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 TVBC 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

**2014/15** - pay award comprising a 2.5% increase to all employees with an hourly rate of £7.65 being the lowest pay point for all staff (except apprentices)

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. As a point of reference, Employees in the national scheme received an unconsolidated lump sum payment ranging from £100 to £325 (for the lowest paid workers) for the nine month period from 1/4/13 to 31/12/14 and a 2.2% increase for the 15 month period commencing 1/1/15. This 2.2% figure equates to an annualised increase of 1.75%.

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 issues of staff welfare, valuing our staff and competitiveness in the market place relate 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 cost of a 3% increase on all points of TVBC’s Pay Scales and relevant comparators are set out below:

Percentage increase	Financial Impact (including on-costs)  £	Comments
1.5	235,000	
1.75	274,000	Equivalent to the average annualised national pay award
2.0	314,000	
2.2	345,000	Equivalent to the average compound (15 month) national pay award
2.5	392,000	Contained within the Council’s budgetary provision for 2015/16
3.0	470,000	Unison Claim

- 5.2 The second 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>
- 5.3 Last year (2014), the unions claimed “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”. Members acceded to and implemented this element of the claim by agreeing a lowest entry point on the Council’s pay scales of £15,297.

They were, however, explicit that this did not represent a commitment by TVBC to becoming a Living Wage Employer. Such a commitment was not considered desirable as it raised the spectre of the rate of future increases being taken outside Members' control and of the Council being tied into increases which could potentially outstrip TVBC's pay awards.

- 5.4 The Living Wage increased in November 2014 to £7.85 per hour (annual salary equivalent of £15,144), which remains below the above entry point of £15,297. Accordingly, the Council will continue to pay at least the living wage to its lowest paid employees, albeit again without the commitment to becoming a Living Wage Employer as such.

## **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. 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 In the same discussions, Members noted the difficulties which the Council has been encountering of late in recruitment. This has been most visible perhaps in the Planning and Building Service, but equal pressures have been felt in the Environmental, Estates and IT Services.
- 6.5 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.
- 6.6 The second option relates to the size and nature of any such increase which is a matter for Members' judgement.
- 6.7 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:

- An increase of 2.5% on all points of TVBC's Pay Scales
- The Council's lowest pay point will continue to exceed £7.85 per hour for all employees (except apprentices)

6.8 The Executive of each of the three trade unions has recommended that their members accept the offer. The outcome of their ballots/consultation with their members will be reported verbally to the Committee.

## **7 Resource Implications**

7.1 The cost of an overall increase of 2.5% would be £392,000 which can be contained within the Council's budgetary provision for 2015/16 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:	1		
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