

## ITEM 6

## Staff Pay Award for 2016/17

Report of the Chief Executive

### Recommended:

**That a pay increase be awarded to staff with effect from 1 April 2016 in accordance with the recommendation in paragraph 8.2 of the report.**

#### SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2016/17.
- The Council's approved budget for 2016/17 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 exceed £8.25 per hour for all employees (except apprentices).

### 1 Introduction

1.1 Unison have submitted a pay claim on behalf of its members, and those of GMB and Unite, for the year 2016/17 which is reproduced in full in the annex to this report and can be summarised as follows:

- A 4% 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 The Living Wage

2.1 The claim is referring to the Living Wage set by the charitable Living Wage Foundation which will be referred to in this Report as the LWF Living Wage. It needs to be distinguished from the National Living Wage which has recently

been introduced by the Chancellor (see more below). The LWF 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. Further information is available at: <http://www.livingwage.org.uk/what-living-wage>

- 2.2 The Council has not committed “to pay at least the living wage to its lowest paid employees”. In response to the 2015/16 pay claim, the Council agreed that “the Council’s lowest pay point will continue to exceed £7.85 per hour [annual salary equivalent of £15,144 which was the level of the LWF Living Wage at that time] for all employees (except apprentices)”. This was carefully phrased in order to continue not giving a commitment to pay the LWF Living Wage, so that Members did not find themselves bound to award specific pay rises in the future as the level of the LWF Living Wage increases.
- 2.3 In November 2015, the LWF Living Wage increased to £8.25 per hour (annual salary equivalent of £15,917). The Council’s lowest pay point – namely £15,680 – would need to be increased by a minimum of 1.51% in order to pay at least £8.25 per hour.
- 2.4 As intimated above, the position has been complicated by the Chancellor’s introduction of a National Living Wage. This has been set at £7.20 for those aged 25 and over with effect from April 2016. However, the Chancellor has indicated that he proposes to raise this to £9 per hour “by 2020”. There is a lack of detail around this commitment at present, but it is being assumed that he is likely to increase the National Living Wage in roughly equal increments each year and that the target figure will be achieved by the increase in April 2020.
- 2.5 To achieve this, it will be necessary for the lowest TVBC pay point (£15,680) to be increased by about 2.1% each year.

### **3 Background**

- 3.1 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.
- 3.2 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).

**2015/16** - pay award comprising a 2.5% increase to all employees which ensured that the Council's lowest pay point continued to exceed £7.85 per hour for all staff (except apprentices)".

- 3.3 Members' Allowances have, by contrast, been aligned since 2011/12 with the national pay bargaining arrangements ("the national award") and been varied as follows:

**2010/11** - RPI fell to minus 1.4% and allowances were reduced accordingly.

**2011/12** - no increase.

**2012/13** – no increase.

**2013/14** – 1% increase

**2014/16** – 2.2% increase from January 2015 to March 2016

- 3.4 The Headlines of the proposed national award for 2016/18 are:

- A 2 year deal, with 1% for those earning over £17,714 in April 2016 and a further 1% in April 2017.
- The overall pay offer is 2.4% over 2 years with 0.4% designed to meet obligations under the National Living Wage.
- At the lower end of the national scale, an increase of 1.93% will apply to NJC pay point 12 (£15,523) [which is just below TVBC's lowest pay point of £15,680].

#### **4 Corporate Objectives and Priorities**

- 4.1 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.

#### **5 Consultations/Communications**

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

## 6 Information Relating to the Claim

6.1 The cost of a 4% increase on all points of TVBC’s Pay Scales and relevant comparators are set out below:

Percentage increase	Financial Impact (including on-costs) £	Comments
1.0	163,000	Equivalent to the National Award for those earning over £17,714
1.5	245,000	
1.51	247,000	Amount by which lowest TVBC pay grade (£15,680) needs to be increased in order to pay at least £8.25 per hour (the level of the LWF Living Wage)
1.93	315,000	Equivalent to the National Award <i>for those on NJC pay point 12 (£15,523)</i>
2.0	327,000	
2.1	343,000	The average annual increase necessary for the lowest TVBC pay grade to achieve the National Living Wage of £9 per hour by 2020
2.5	408,000	Highest award containable within the Council’s budgetary provision for 2016/17
3.0	490,000	Creates a budget pressure of £82,000
3.5	572,000	Creates a budget pressure of £164,000
4.0	654,000	Unison Claim. Creates a budget pressure of £246,000

## 7 Options and Option Appraisal

7.1 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.

- 7.2 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.
- 7.3 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 recent years. 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.
- 7.4 The second option relates to the size and nature of any such increase which is a matter for Members' judgement.
- 7.5 Members noted the various arguments raised by the unions. They accepted that the Council has absorbed an increase of some 5-6,000 properties over the past 10 years, resulting in an inevitable increase in demand for the Council's services.
- 7.6 Members were particularly mindful of the strategic issues of recruitment and retention, which have been expressly recognised as 'corporate risks'. Low pay is not an issue identified in the Risk Register for TVBC, but there is a need to ensure that it does not become one. There have been recruitment challenges across the authority ranging from vehicle technician and HGV drivers to IT staff, with particular pressures on property related posts (planners, surveyors and lawyers). Members considered it important to remain competitive with surrounding local authorities, which represent TVBC's competition in the market. (The flexibility required for this was indeed the principal reason why TVBC adopted local pay arrangements rather than tie itself to the national award.)

## **8 Subsequent Discussions with Trade Unions**

- 8.1 Against this background, 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.
- 8.2 The outcome of those negotiations 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 exceed £8.25 per hour for all employees (except apprentices).
- 8.3 Of the three Trade Unions involved, Unison and GMB have confirmed that their members have voted to accept the offer in a ballot. The outcome of the ballot of Unite members will be reported verbally to the Committee.

## 9 Resource Implications

- 9.1 The 2016/17 budget made provision for a 1.5% pay award in the salary budgets at a cost of £245,000 and also allocated a sum in corporate contingencies. The Head of Finance advises that an award up to 2.5% (£408,000) could be met without creating a budget pressure.

## 10 Risk Management

- 10.1 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.

## 11 Legal Implications

- 11.1 None.

## 12 Equality Issues

- 12.1 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.

## 13 Conclusion

- 13.1 The proposals contained in this report seek to balance prudent financial decision making with recognition of the value of the Council's staff and the need for the Council to remain competitive in the recruitment market place.

### 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:	Chief Executive	File Ref:	
Author:	Chief Executive	Ext:	8101
Report to:	General Purposes Committee	Date:	22 June 2016