

## ITEM 6

## Staff Pay Award for 2017/18

Report of the Chief Executive

### Recommended:

**That a pay increase be awarded to staff with effect from 1 April 2017 in accordance with the recommendation in paragraph 8.2**

#### SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2017/18
- The Council's approved budget for 2017/18 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 (except apprentices)
  - The Council's lowest pay point will exceed £8.45 per hour for all employees (except apprentices)

### 1 Introduction

1.1 Unison has submitted a pay claim on behalf of its members, and those of GMB and Unite, for the year 2017/18 which is reproduced in full in Annex One to this Report and which can be summarised as follows:

- A 3% increase on all salary points and allowances (but excluding Apprentices)
- An additional increase in rates for staff at the bottom of the pay scale insofar as it is necessary to maintain the Living Wage (also excluding Apprentices)

1.2 Apprentices are subject to a separate pay regime in common with the other councils in the Hampshire Apprenticeship Partnership, of which TVBC is a member.

### 2 The Living Wage

2.1 The claim refers 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 introduced by the

Chancellor in April 2016 (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 Since 2014/15, the Council has structured its pay arrangements so that the actual lowest pay point matches or exceeds the level of the LWF Living Wage in force at the relevant time for all employees (except apprentices). The Council has not, however, given 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 2016, the LWF Living Wage increased to £8.45 per hour (annual salary equivalent of £16,302). The Council's lowest pay point – namely £16,072 – would need to be increased by a minimum of 1.44% in order to pay at least £8.45 per hour.
- 2.4 As intimated above, the position has been complicated by the Chancellor's introduction of a National Living Wage in April 2016. Following the recommendations of the independent Low Pay Commission, the government increased the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017. The government's target is for the NLW to reach 60% of median earnings by 2020 subject to sustained economic growth.

### **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)”.

**2016/17** - pay award comprising a 2.5 % increase to all employees which ensured that the Council’s lowest pay point exceeded £8.25 per hour for all staff (except apprentices).

3.3 Although TVBC is not a party to the national pay bargaining arrangements, the “national award” is always a point of reference. A two year award was made wef April 2016, the headlines of which were as follows:

- 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 their obligations under the National Living Wage
- At the lower end of the national scale, for 2017 an increase of 1.95% will apply to NJC pay point 12 [which is just below our lowest pay point]

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

4.1 The issues of being a high performing council, motivating and valuing 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. Inevitably, they must be balanced against the Council’s duties to be prudent in its use of public funds.

#### **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 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
1.0	168,000	National Award for those earning over £17,891

1.44	243,000	Amount by which lowest TVBC pay grade (£16,072) needs to be increased in order to pay at least £8.45 per hour (the level of the LWF Living Wage)
1.5	253,000	
2.0	336,000	
2.47	415,000	Maximum award to 2 decimal places without creating a budget pressure
2.5	420,000	Creates a £5,000 budget pressure
3.0	504,000	Unison Claim would create a budget pressure of £89,000

## 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 In the event that an award is made, the second option relates to the size and nature of any increase which is a matter for Members' judgement.

7.3 There are a number of issues referred to in the Claim which deserve comment:

- "Major increases in the cost of living over recent years have significantly reduced the value of staff wages"

*This point is expanded elsewhere in the claim. It is claimed that "Council staff have seen the value of their earnings fall over recent years". Pay awards for each of the last three years have, in fact, exceeded inflation. However, analysis of the pay awards made since 2010 to date shows that, even after taking into account these three recent "catch up" years, earnings are still some 3.4% below where they would have been in 2016/17 had earnings been linked to the Consumer Prices Index (CPI).*

*With regard to Unison’s comments on inflation rates, it is always difficult to forecast these with any great accuracy. Rising fuel and food prices helped to push February’s inflation rate to the highest since September 2013. Inflation as measured by the Office for National Statistics’ CPI jumped to 2.3% in February - up from 1.8% in January. On 11 May, the Bank of England published its quarterly [Inflation Report](#), which states that, “CPI inflation was 2.3% in March, having been below the 2% target over much of the past three years. Inflation is expected to have risen further since then, reflecting the continued pass-through of the past fall in the sterling exchange rate to consumer prices”. In the same report, the Bank of England has said it expects inflation will peak at 2.8% by the end of this year, although some economists think the rate could rise above 3%. On 16 May, the Office for National Statistics published the figures for April which showed another stepped increase and CPI now stands at 2.7%.*

- “Appropriate reward is needed to sustain the morale and productivity of staff in their crucial role of delivering high quality services”

*There is no doubt that recent pay awards have contributed to the positive staff survey results where 78% of staff stated that they would recommend TVBC as a place of work and 70% felt that their morale at work is good at the moment.*

- “Appropriate reward is needed for the increased workload and stress placed on staff against a background of major budget cuts”

*Unison’s principal arguments here related to the impacts on Test Valley staff of cuts by other agencies such as the police and HCC, citing particular examples in the housing and environmental health functions. Interestingly, this point resonated amongst members in preliminary discussions, with the issuing of standing advice in relation to planning applications from the Environment Agency being a high profile example. Elsewhere, the claim refers to staff facing greater workload pressures against a background of an increasing population within Test Valley. Again, that pressure is acknowledged including, in particular, in the Environmental Service.*

- “A pay settlement that allows staff pay to stagnate or reduce in value will increase the likelihood of recruitment and retention problems in the long term”

*Recruitment and retention is, of course, a recognised corporate risk. This challenge has had a significantly lower profile in the past 12 months, but the problem remains a pressing one. Whilst various ‘workforce solutions’ have been adopted to address the challenge, particular difficulties are still being experienced in recruiting into a range of posts across the organisation including vehicle technicians, engineers, surveyors, housing development officers, senior auditors, local land charges officers, commercial property solicitors and senior planning officers.*

- “Increased vacancy rates across the economy make a competitive wage rate ever more crucial”

*This phenomenon is an integral part of the challenges described above.*

- “Nobody should be paid less than the nationally recognised Living Wage rate, which has become a benchmark for the minimum level of decent pay across the UK and is now paid by large sections of the public services and many major private companies”

*Members are conversant with the issues around the Living Wage.*

7.4 Members were mindful of these matters in preliminary discussions on the claim and noted in particular the positive attitudes consistently displayed by the vast majority of staff over recent years, and the consequential impact upon organisational performance.

## **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 recommended to General Purposes Committee.

8.2 The outcome of those negotiations was that a recommendation would be made 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 (except apprentices)
- The Council’s lowest pay point will exceed £8.45 per hour for all employees (except apprentices)

8.3 The outcome of the ballots of union members will be reported verbally to the Committee.

## **9 Resource Implications**

9.1 The 2017/18 budget made provision for a 1.5% pay award in the salary budgets at a cost of £253,000 In addition to this, a sum of £162,000 was allocated in Corporate Contingencies. In total therefore, there is a cash-limited sum of £415,000 available for pay awards without creating a budget pressure. The Head of Finance advises that the £5000 pressure generated by a 2.5% pay award could be met without problems from the remainder of the contingencies provision.

**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**

11.1 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:

1

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File Ref:

Report to:

General Purposes  
Committee

Date:

21 June 2017