

ITEM 6

Staff Pay Award for 2018/19

Report of the Chief Executive

Recommended:

That a pay increase be awarded to staff with effect from 1 April 2018 in accordance with the recommendation in paragraph 8.2 of this report.

SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2018/19
- The Council's approved budget for 2018/19 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 £8.75 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 2018/19 which is reproduced in full in the Annex to this Report. They have clarified the summary of the claim as follows:

- A 4% 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, and their position will be considered at a future meeting of this Committee.

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 2017, the LWF Living Wage increased to £8.75 per hour (annual salary equivalent of £16,881). The Council's lowest pay point – namely £16,473 – would need to be increased by a minimum of 2.48% in order to pay at least £8.75 per hour (annual salary equivalent of £16,881).
- 2.4 Reference was made above to the Chancellor's introduction of a National Living Wage in April 2016. The government increased the National Living Wage (NLW) by 4.4% from £7.50 to £7.83 with effect from 1 April 2018.

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).

2017/18 - pay award comprising a 2.5 % increase to all employees which ensured that the Council’s lowest pay point exceeded £8.45 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 with effect from April 2018, the headlines of which were as follows:

- From 1 April 2018: 2.0% on the majority of basic salary points and allowances
- From 1 April 2019: 2.0% on the majority of basic salary points and allowances
- Additional increases for lower paid staff (those with salary below £19,430 see a pay increase of between 3.7 and 9.3% in year 1 and 2.6 – 7.3% in year 2). This will increase the lowest salary rate from 1 April 2018 to £8.50 per hour and from 1 April 2019 to £9.00 per hour.
- Introduction of a new national pay spine from 1 April 2019.

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 the Chairman and Vice Chairman of this Committee and 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) £000s	Comments
1.0	176	
1.5	264	
2.0	352	National award w.e.f. 1/4/18
2.48	437	Amount by which lowest TVBC pay grade (£16,473) needs to be increased in order to pay at least £8.75 per hour (the level of the LWF Living Wage).

2.5	441	
2.65	466	Maximum award without creating a budget pressure.
3.0	529	Creates a budget pressure of £63,000
3.5	617	Creates a budget pressure of £151,000
4.0	705	Unison Claim would create a £239,000 budget pressure

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"

Unison claims that the cost of living has outstripped pay rises over the last seven years. Pay awards have in fact matched or exceeded inflation in each of the last four years. However, analysis of the pay awards made since 2010 to date shows that, even after taking into account these recent "catch up" years, earnings are still some 5.0% below where they would have been in 2017/18 had earnings been linked to the Consumer Prices Index (CPI), and 10.7% below where they would have been if linked to the Retail Prices Index (RPI).

With regard to Unison's comments on inflation rates, it is always difficult to forecast these with any great accuracy. Unison has based its forecast on HM Treasury figures dated August 2017, which are somewhat out of date. The Treasury also publishes forecasts on a monthly basis taken from a range of independent economists. According to the forecast released on 16th May 2018:

(<https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-may-2018>)

For 2018, CPI is forecast to be between 1.8% and 3%, with an average view of 2.3%. RPI is forecast to be between 2.4% and 4.0%, with an average view of 3.2%.

For 2019, CPI is forecast to be between 1.5% and 3.5%, with an average view of 2.1%. RPI is forecast to be between 2.3% and 4.2%, with an average view of 3.0%.

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

There is no doubt that recent pay awards have contributed to the positive staff survey results where 80.5% of staff stated that they would recommend TVBC as a place of work and 70.9% 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”

This argument is based upon a number of issues

- *the increasing population of Test Valley and the consequential increased demand for Council services. That pressure is acknowledged including, in particular, in the Environmental Service.*
- *stress placed on staff as major budget cuts across the public sector result in people “migrating to the few remaining agencies” who, they believe, can assist them. Examples were cited of an increasing number of mentally ill customers as well as those who had undertaken prior research on the internet in order to support their contentions as to how the Council should be meeting their needs.*
- “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 a recorded corporate risk. A range of ‘workforce solutions’ have been adopted across the Council in order to address the challenge, but the problem remains a real one. Difficulties are still being experienced in recruiting into a range of posts such as Lawyers, IT Security Officers, Senior Auditors and Surveyors as well as Grounds Maintenance operatives and Driver/Chargehands. However, this authority is faring better than some others, and so retention is an equally crucial issue. [No actual evidence was submitted to support the contention that TVBC is “falling behind pay settlements for comparable jobs”.]

- “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. They recognised the willingness of staff to demonstrate flexibility and to go the extra mile out of commitment to, and pride in, the organisation – and the consequential impacts upon organisational performance. They also took note of the significantly more generous national award, than has been seen in recent years.

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 £8.75 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 2018/19 budget made provision for a 1.5% pay award in the salary budgets at a cost of £264,000. In addition to this, a sum of £202,000 was allocated in Corporate Contingencies. In total therefore, there is a cash-limited sum of £466,000 available for pay awards 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.

<u>Background Papers (Local Government Act 1972 Section 100D)</u> Information about the Living Wage - http://www.livingwage.org.uk/what-living-wage			
<u>Confidentiality</u> 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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