

Notice of Meeting

General Purposes Committee

Date: Wednesday 17 April 2019

Time: 4.00 pm

Venue: Upper Guildhall, High Street, Andover, Hampshire, SP10 1NT

For further information or enquiries please contact:

Caroline Lovelock - 01264 368014
clovelock@testvalley.gov.uk

Legal and Democratic Service

Test Valley Borough Council,
Beech Hurst, Weyhill Road,
Andover, Hampshire,
SP10 3AJ

www.testvalley.gov.uk

The recommendations contained in the Agenda are made by the Officers and these recommendations may or may not be accepted by the Committee.

PUBLIC PARTICIPATION SCHEME

If members of the public wish to address the meeting they should notify the Legal and Democratic Service at the Council's Beech Hurst office by noon on the working day before the meeting.

Membership of General Purposes Committee

MEMBER

WARD

Councillor G Bailey (Chairman)

Blackwater

Councillor K Hamilton (Vice-Chairman)

Harroway

Councillor N Adams-King

Blackwater

Councillor J Cockaday

St Marys

Councillor A Dowden

Valley Park

Councillor M Flood

Anna

Councillor P Giddings

Bourne Valley

Councillor P Hurst

Tadburn

Councillor I Jeffrey

Dun Valley

Councillor P North

Alamein

General Purposes Committee

Wednesday 17 April 2019

AGENDA

The order of these items may change as a result of members of the public wishing to speak

- 1 Apologies**
- 2 Public Participation**
- 3 Declarations of Interest**
- 4 Urgent Items**
- 5 Minutes of the meeting held on 7 November 2018 and 12 March 2019**
- 6 Minutes of the Employment Appeals and Ethics Sub-Committee held on 27 March 2019**
- 7 External Audit: Audit Planning Report 2018/19** **4 - 45**

To consider and approve the External Auditors' Audit Planning Report for the year ended 31 March 2019.
- 8 Staff Pay Award for 2019/20** **46 - 61**

To address the pay claim submitted by Unison for the year 2019/20.
- 9 Review of the Council's Grading Structure** **62 - 66**

To recommend changes to the Council's grading structure to bring it into line with best practice.

ITEM 7 External Audit: Audit Planning Report 2018/19

Report of the Head of Finance

Recommended:

That the proposed external audit plan for the 2018/19 be approved.

SUMMARY:

- This report presents the External Auditors' Audit Planning Report for the year ended 31 March 2019.

1 Introduction

- 1.1 The purpose of the attached report (Annex) is to receive a report from the external auditors, Ernst and Young LLP, setting out the auditors' responsibilities and the proposed audit approach and scope for the 2018/19 audit.
- 1.2 The plan summarises the initial assessment of the key risks driving the development of the effective audit for the Council, and outlines the planned audit strategy in response to those risks.

2 Background

- 2.1 The Council's external auditors have requested that the General Purposes Committee are made aware of the audit plan content and the risks they are raising in relation to the financial statements that the Committee will ultimately consider for approval on 30 July 2019.

3 Consultations/Communications

- 3.1 The audit plan has been considered and endorsed by the Audit Panel at its meeting on 11 March 2019.

4 Conclusion

- 4.1 This report forms part of the independent external audit review process. The General Purposes Committee is recommended to approve the 2018/19 audit plan which includes an analysis of key risks, the audit strategy, reporting and timescales.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<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	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
Officer:	Will Fullbrook	Ext:	8201
Report to:	General Purposes Committee	Date:	17 April 2019

Test Valley Borough Council Audit planning report

Year ended 31 March 2019

February 2019



Audit Panel and General Purposes Committee
Test Valley Borough Council
Beech Hurst, Weyhill Road
Andover, Hampshire
SP10 3AJ

26 February 2019

Dear Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide those charged with governance with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of those charged with governance and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 March 2019 as well as to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the those charged with governance and management of Test Valley Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to those charged with governance and management of Test Valley Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than those charged with governance and management of Test Valley Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide those charged with governance with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of revenue and expenditure recognition.</p> <p>We have identified material incentive and opportunity to incorrectly capitalise revenue expenditure as PPE additions.</p> <p>We will test additions to Property, Plant and Equipment to ensure that they have been appropriately capitalized and meet the relevant accounting requirements.</p>
Misstatements due management override	Fraud risk/ Significant risk	No change in risk	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p>
Valuation of Land and Buildings	Inherent risk	No change in risk	<p>During last year's audit EY real estate specialists challenged methodologies around buildings costs data, treatment of professional fees, asset life and land value assumptions, and treatment of voids and purchaser costs. Although the overall net impact on valuations was not material (£10,889), there were higher value differences behind the net impact (£289,318 gain off-set by an increase in impairment costs of £300,207).</p> <p>The valuation date for 2018/19 will be 31 January 2019 and most assets will be valued by the Council's internal valuations team, as in 2017/18. The Council has noted a "caveat" for Brexit. We note that the roll forward of valuations to year end will be particularly important this year as the UK leaves the European Union. Also that responses to the issues raised by EY auditor specialists last year will be considered as part of our procedures this year.</p>

Overview of our 2018/19 audit strategy

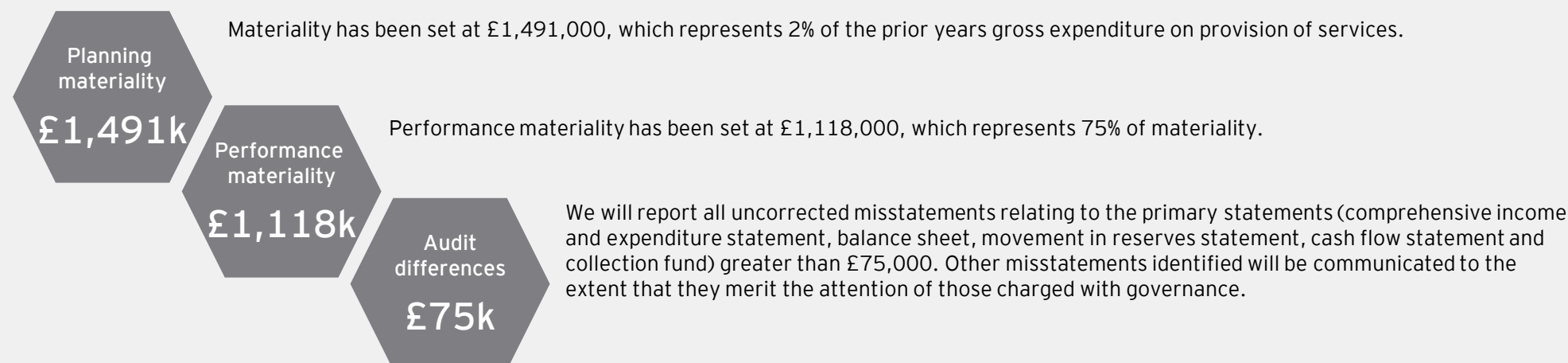
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide those charged with governance with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Pension liability valuation	Inherent risk	No change in risk	In 2017-18 we identified an unadjusted difference relating to the Council's share of the difference between the actuary's estimate of the Pension Fund asset value and the actual Fund value at 31 March 2018. We estimated this to be £512,629. Furthermore, we note that that on 29 th March 2019 the UK is scheduled to leave the European Union and asset values may be particularly difficult to estimate around this time.
IFRS 9 and IFRS 15 implementation	Inherent risk	New focus	IFRS9 (Financial Instruments) and IFRS15 (Revenue from Contracts) come into effect for Local Authority Accounts this year. At the time of our 2017/18 final audit work, the impact was not expected to be material, however, the Council are yet to undertake a comprehensive assessment of their impact.

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Materiality



Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Test Valley Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team changes

Key changes to our team.



Kevin Suter
Associate Partner

Kevin takes over from Maria Grindley as the Engagement Lead. Kevin has significant public sector audit experience over 20 years, with a portfolio of Local Authorities, Local Government Pension Fund and National Park Authority audits.



02 Audit risks

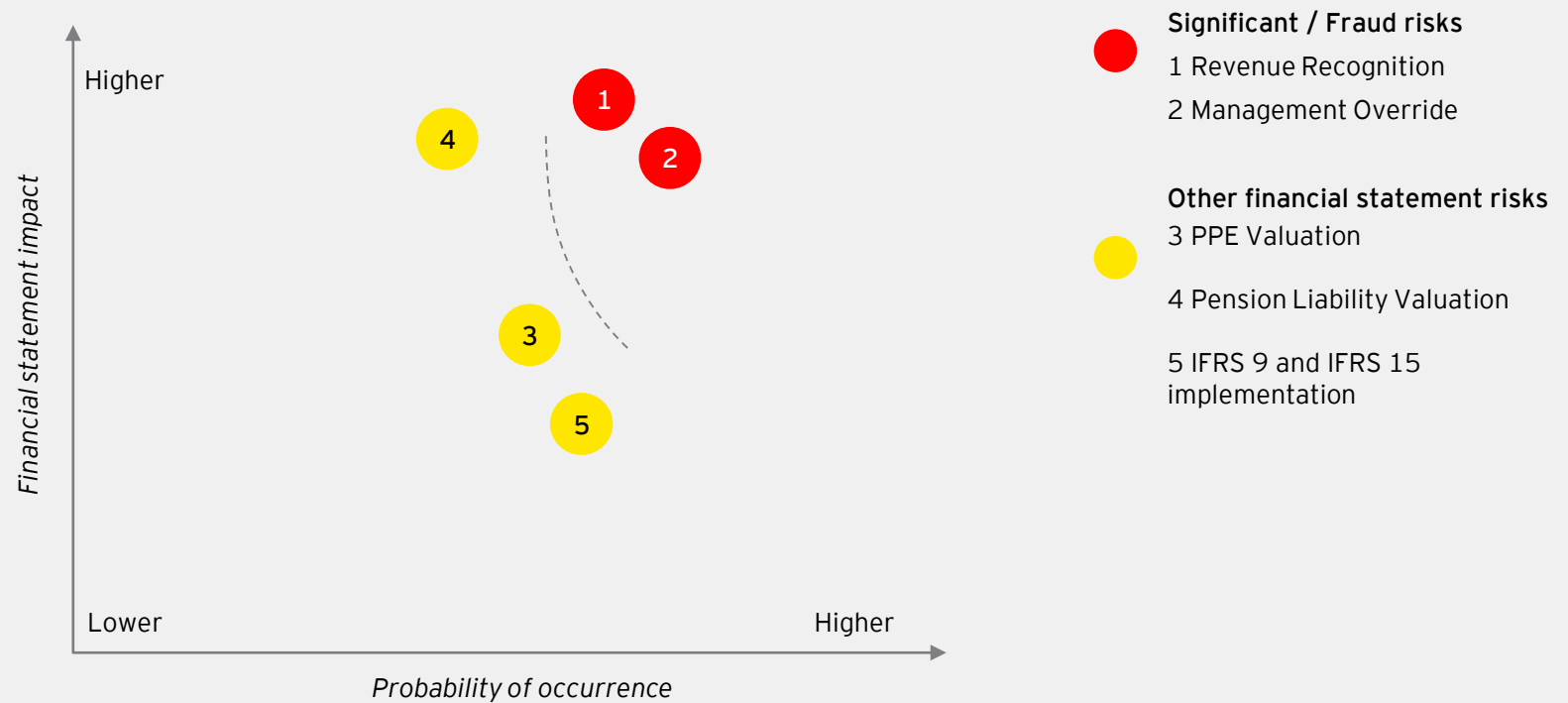


Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017/18 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Risk of fraud in revenue and expenditure recognition - Incorrect capitalisation of revenue expenditure</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect:</p> <ul style="list-style-type: none"> • CIES expenditure; and • PPE additions. 	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>There is incentive for incorrectly classifying revenue expenditure as capital. Capitalising would remove the expenditure from the General Fund and Council Tax funding, and give opportunity for funding through capital grants, receipts or even borrowing.</p> <p>There is material opportunity as the Council's capital programme for 2018/19 is significantly above our level of materiality.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▸ Review and sample test capital expenditure to ensure it meets the relevant accounting requirements to be capitalised. ▸ Review journals moving expenditure from revenue to capital codes.

Our response to significant risks (continued)

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consider the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ Review estimates for any management bias,
 - ▶ Review and significant and unusual transactions that our outside the normal course of business;
 - ▶ testing of journal entries and other adjustments in the preparation of the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings:</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts. At 31 March 2018, they totalled £67,057,000 and £106,836,000. Movements during 2017/18 included valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to use material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. During last year's audit EY real estate specialists challenged methodologies around buildings costs data, treatment of professional fees, asset life and land value assumptions, and treatment of voids and purchaser costs. Although the overall net impact on valuations was not material (£10,889), there were higher value differences behind the net impact (£289,318 gain off-set by an increase in impairment costs of £300,207).</p> <p>The valuation date for 2018/19 will be 31 January 2019 and most assets will be valued by the Council's internal valuations team, as in 2017/18. The Council has noted a "caveat" for Brexit. We note that the roll forward of valuations to year end will be particularly important this year as the UK leaves the European Union which may increase volatility.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council's valuers, including any changes in their approach since last year's audit; the adequacy of the scope of the work performed; their professional capabilities; and the results of their work; ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and whether these are reflected in valuations; ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Assess whether unusual fluctuations in value indicate the need to re-engage with EY specialists for more detailed review of data and assumptions, particularly on assets valued using the depreciated replacement cost method; ▶ Review the effectiveness of arrangements for rolling forward valuations to the year end; and ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 the net liability totalled £58,520,000.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We note that in 2017-18 we identified an unadjusted difference relating to the Council's share of the difference between the actuary's estimate of the Pension Fund asset value and the actual Fund value at 31 March 2018. We estimated this to be £512,629. Furthermore, we note that that on 29th March 2019 the UK is scheduled to leave the European Union and asset values may be particularly difficult to estimate around this time.

We will:

- ▶ Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Test Valley Borough Council;
- ▶ Assess the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors,
- ▶ Consider any relevant reviews by the EY actuarial team;
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>IFRS 9 financial instruments</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▶ Consider the classification and valuation of financial instrument assets; ▶ Review new expected credit loss model impairment calculations for assets; and ▶ Check additional disclosure requirements.
<p>IFRS 15 Revenue from contracts with customers</p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Check additional disclosure requirements.

03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

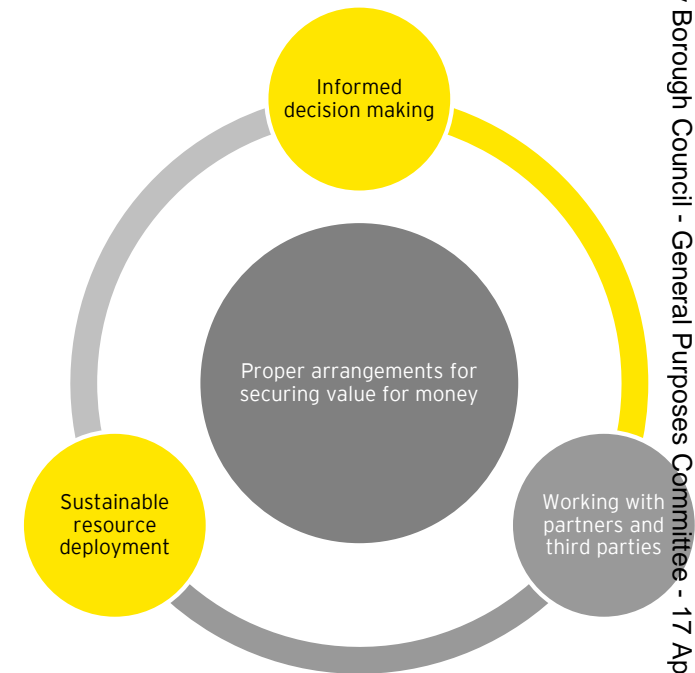
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>The Council is considering a proposal to purchase for £7,200,000 that part of the Chantry Centre (60%) which it does not own. A detailed paper is expected to be put before Full Council in March 2019 (subject to full information having been received from the vendor).</p> <p>The s151 officer has previously reported that he did not recommend the purchase of the Centre as an investment opportunity. However, our understanding is that social benefits (the chance to promote town centre regeneration) have also been put forward as considerations. A formal Regeneration Plan had not yet been produced at the time of writing this plan but we understand that due diligence is on-going.</p>	<p>Informed Decision Making</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Review of detailed Chantry Centre proposals put to Council in March 2019 and supporting due diligence. • Assessment of the timeliness and comprehensiveness of communications and information supporting the Chantry Centre decision making process. • Evaluation of governance around the loan financing decision-making processes. • Assessment of impact that new cash-flows have on financial resilience; the Treasury Strategy; and the Medium Term Financial Strategy of the Council.



04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1,491,000. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that those charged with governance confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1,118,000 which represents 75% of planning materiality. This reflects our experience that draft accounts have in previous been of a reasonable quality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, movement in Reserves and collection fund.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of those charged with governance, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5,000 (consistent with required bandings) for remuneration disclosures, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the General Purposes Committee.

Internal audit:

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, and pressures on internal quality assurance arrangements.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Council staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

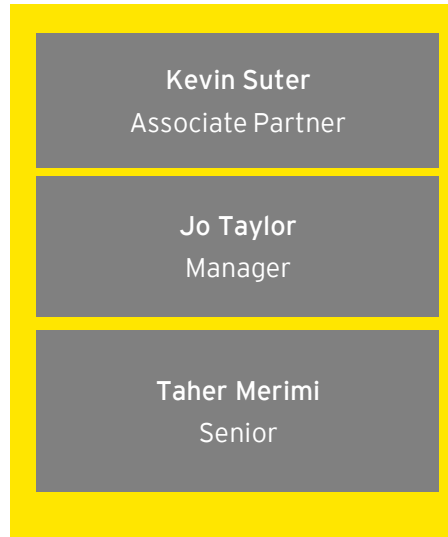
- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2018/19 financial year.
- ▶ Work with the Council to improve the use of EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on-demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.



06 Audit team

Audit team

Audit team structure:



Pension
specialists

PWC
EY Actuaries

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team may be engaged depending on the Council's final arrangements for property valuations.
Pensions disclosure	PWC and EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 **Audit timeline**





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with those charged with Governance and we will discuss them. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Deliverables
Planning:	October 2018	
Risk assessment and setting of scopes. Walkthrough of key systems and processes	November 2018	
Interim Audit Visit	26 February 2019	
Audit Panel	11 March 2019	Audit Planning Report and verbal update on interim audit findings
General Purposes Committee	17 April 2019	Audit Planning Report and verbal update on interim audit findings
Final audit visit	Three weeks commencing 24 June 2019	
Audit Panel	25 July 2019	Audit Results Report
General Purposes Committee	30 July 2019	Audit Results Report, Audit opinion, VFM Conclusion, and completion certificate.
Annual Audit Letter	August 2019	



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, no non-audit services were planned. No additional safeguards were required. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	40,679	40,679	52,830
Total audit	40,679	40,679	52,830
Other non-audit services not covered above (Housing Benefits)	0	0	10,980
Total other non-audit services	0	0	10,980
Total fees	0	40,679	63,810

All fees exclude VAT

Our 2018/19 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

As at the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify the expected scale fee variation for these additional procedures. We will agree this with management, depending on the identified impact of the new standards. Any additional fee will be subject to approval by the PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.





If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B




Required communications with those charged with governance

We have detailed the communications that we must provide to those charged with governance.

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by those charged with governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Appendix B

Required communications with those charged with governance

		Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report




Appendix B

Required communications with those charged with governance

			Our Reporting to you
Required communications	What is reported?	When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report	
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of those charged with governance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that those charged with governance may be aware of 	Audit results report	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Management letter/audit results report	

Appendix B

Required communications with those charged with governance

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report	
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report	
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, those charged with governance reporting appropriately addresses matters communicated by us to those charged with governance and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ITEM 8

Staff Pay Award for 2019/20

Report of the Chief Executive

Recommended:

That a pay increase be awarded to staff with effect from 1 April 2019 in accordance with the recommendation in paragraph 10.2.

SUMMARY:

- The report addresses the pay claim submitted by the trade unions for the year 2019/20
- The Council's approved budget for 2019/20 contains provision for a potential pay award
- The Report recommends the following:
 - An increase of 4% for staff on grades up to and including Grade 6 (inclusive of the Training and Apprentice pay grades)
 - An increase of 2.5% for staff on Grade 7 and above

1 Introduction

1.1 The Unison, Unite and GMB trade unions have submitted the pay claim set out in Annex One on behalf of their members which they have summarised as follows:

- A 4% increase on all salary points and allowances on all grades, without bottom loading or a request to explore splitting officer and management graded awards. Therefore, while understanding union members calls for better wealth distribution - instead proposing;
- An additional increase in rates for staff at the very bottom of the scale (Grade 2) bringing their pay up to the level of a; 'Living Wage' to £9.10p Per Hour.
- Claims above to be effective in award from 1 April 2019.

2 The Living Wage

2.1 The claim refers in paragraph 5 of Annex One to the Living Wage set by the charitable Living Wage Foundation (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 2018, the LWF Living Wage increased from £8.75 to £9.00 per hour (annual salary equivalent of £17,364). The Council's lowest pay point – namely £16,885 - would need to be increased by a minimum of 3% in order to pay at least £9.00 per hour (annual salary equivalent of £17,391).
- 2.4 This figure of £9.00 per hour is duly referenced in paragraph 5 of the claim. However, somewhat confusingly, the actual claim exceeds that figure at £9.10 per hour.
- 2.5 Reference was made above to the Chancellor's introduction of a National Living Wage in April 2016. The government increased the National Living Wage by 4.9% from £7.83 to £8.21 with effect from 1 April 2019.

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).

2018/19 - pay award comprising a 2.5 % increase to all employees which ensured that the Council's lowest pay point exceeded £8.75 per hour for all staff (except apprentices).

4 The National Award

4.1 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 increased 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.

5 Corporate Objectives and Priorities

5.1 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.

6 Consultations/Communications

6.1 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.

7 Initial Consideration of the Claim

7.1 During consultations with the Chairman and Vice Chairman of this Committee and Portfolio Holders in connection with last year's (2018/19) claim, consideration was given to the issue of a variable award for staff at different pay grades in the Council's employment. Members indicated at that time that they wanted to be in a position to enable General Purposes Committee to consider such an option in the context of the 2019/20 claim.

7.2 It is notable that the National Award has been 'bottom-weighted' with larger increases for lower paid workers between 3.7% - 9.3% in year 1 and 2.6% – 7.3% in year 2. Similarly, the Government's National Living Wage increased by 4.9%.

- 7.3 Against this background, the Committee is invited, in the words of the claim, to consider “explor[ing] splitting officer and management graded awards”.

8 Options and Option Appraisal

- 8.1 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 with the need to recognise the contribution made by staff and to maintain a high performing organisation.
- 8.2 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.
- 8.3 It is appropriate to comment on a number of the “key points” mentioned in the “Outline” of the claim.
- a. The reference to 35% of staff having low morale is based on the 2018 answer to the following Staff Survey ‘barometer question’.

	2015	2016	2017	2018
My morale at work is good at the moment.	64.5%	70.4%	70.9%	64.8%

- There is a reference to staff “going through restructures” (also picked up in section 7 of the claim) which appears to relate to the Revenues Service as it transitions from Housing Benefit to Universal Credit. This did indeed result in a noticeable dip in that Service’s ‘morale score’, which will hopefully improve as the process reaches its conclusion and the uncertainty is removed. (No redundancies are proposed as part of this re-structure). There are no other significant re-structures underway.
- b. The following bullet point refers to “the increased workload and stress placed on staff against a background of local challenges”. However, these references are not elaborated upon in the body of the claim beyond the assertion in section 8 that “Working against a backdrop of government budget cuts, employees have been facing greater workload pressures” and a reference to “poor top down communication and management inconsistency”. (This is an issue which can be explored outside the pay claim process.)
- c. The reference to “Increased likelihood of recruitment and retention problems” reflects an issue which has featured prominently in members’ consideration in recent years. And it remains a live issue. Over the past 12 months pressures have been felt particularly in the Environmental Service (especially drivers) and also in various areas of professional officers such as Building Surveyors, IT Security Officers, Planning Officers and certain Legal posts. However, this authority continues to fare better than some others, and so retention is an equally important issue. (The claim provides no evidence for the assertion in its Closing Statement that staff have seen their earnings falling behind pay settlements for comparable jobs.)

d. As regards the various statistics quoted in the claim:

- The claim states that there has been a “major fall in living standards suffered by staff over recent years”. The data shown in paragraph 3 is over a 9 year period from 2010 and the table lists the pay awards compared with the Retail Prices Index (RPI) over the same period. It also makes reference to the last UK recession which was in 2008/9.

An analysis of the pay awards made since 2010 to date shows that earnings are still some 4.3% below where they would have been in 2018/19 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) despite more generous pay awards in the latter years. However, looking at more “recent” pay awards (since 2014/15), these have matched or exceeded CPI inflation in each of the last five years.

- The claim states that “thousands of pounds have been cut out of the value of staff wages”. This may be argued in aggregate terms, but individually the inflationary effect is less dramatic. Looking at the Council’s median salary which is currently £24,162 p.a., the average inflationary “loss” to the individual is £1,087 over nine years, or £120 p.a.
- With regard to the comments in the claim on inflation rates, it is always difficult to forecast these with any great accuracy. It is not clear where the unions have sourced their forecasts from, but they suggest that inflation will remain above 3% for the next three years. The Treasury publishes forecasts on a monthly basis taken from a range of independent economists. The latest forecast was released on 20th March 2019:

<https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-march-2019>

For 2019, CPI is forecast to be between 1.4% and 3.2%, with an average view of 1.9%. RPI is forecast to be between 2.2% and 3.8%, with an average view of 2.7%.

For 2020, CPI is forecast to be between 1.6% and 3.5%, with an average view of 2.1%. RPI is forecast to be between 2.5% and 4.2%, with an average view of 3.0%

- 8.4 Members were mindful of all the above points 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. This was reflected in the findings of the LGA Peer Challenge, including in particular about the dedication of staff to the Council and the Borough.

- 8.5 Members were also keen to look at the scope for an *additional* reward to lower paid staff, without signifying to the rest of the staff that their efforts were not appreciated too. They analysed the Pay Scales (set out in Annex Two) and noted that pay does not increase in an exact linear progression between the grades, there being two clear spikes, where there is a higher jump in pay between the grades (namely between grades 6 and 7 and again between SM1 and SM2). They identified the jump in pay between Grades 6 and 7 as the cut off point for a variable pay award. If this cut off point were to be adopted, 294 employees plus 6 apprentices (60% of the total number of TVBC employees) are currently on Grade 6 or below and would benefit from an additional pay award.
- 8.6 The potential costs of a range of 'variable' and 'across the board' pay awards are set out in the following section.
- 8.7 The 2019/20 budget made provision for a 1.5% pay award in the salary budgets at a cost of £258,500. In addition to this, a sum of £373,500 was allocated in contingencies. In total therefore, there is a cash-limited sum of £632,000 available for potential pay awards without creating a budget pressure.
- 8.8 In the circumstances, members were minded to recommend to this Committee a *variable* pay award as per Option 4 in the table below.

9 Financial Information Relating to the Cost of a Claim

Potential cost of variable pay awards		
Percentage increase	Financial Impact (including on-costs) £000s	Comments
Option 1 3% on all pay grades up to and including Grade 6 2% on all pay grades including Grade 7 and above	488.4	Lowest pay point is £17,392 (£9.01 per hour)
Option 2 3.5% on all pay grades up to and including Grade 6 2.5% on all pay grades including Grade 7 and above	580.8	Lowest pay point is £17,476 (£9.06 per hour)
Option 3 4% on all pay grades up to and including Grade 6 2% on all pay grades including Grade 7 and above	561.4	Lowest pay point is £17,560 (£9.10 per hour)
Option 4 4% on all pay grades up to and including Grade 6 2.5% on all pay grades including Grade 7 and above	617.2	Lowest pay point is £17,560 (£9.10 per hour)

Potential cost of 'across the board' pay awards		
Percentage increase	Financial Impact (including on-costs) £000s	Comments
1.0	230.6	
1.5	323.1	
2.0	415.5	National award w.e.f. 1/4/19 (new NJC arrangements include in addition higher percentage increases at the bottom of the pay spine)
2.5	507.8	
3.0	600.2	Amount by which lowest TVBC pay grade needs to be increased in order to pay at least £9.00 per hour (the level of the LWF Living Wage).
3.17	631.6	Maximum award without creating a budget pressure.
3.5	692.7	Budget pressure of £60,700
4.0	785.0	Unison Claim would create a £153,000 budget pressure

10 Subsequent Discussions with Trade Unions

10.1 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.

10.2 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 4% on grades up to and including Grade 6 (inclusive of the training and apprentice pay grades)
- An increase of 2.5% on Grade 7 and above
- This brings the lowest pay point to £9.10 an hour which is above the LWF Living Wage of £9.00 an hour.

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

11 Resource Implications

11.1 The cost of the proposal in paragraph 10.2 above amounts to £617,200 which can be contained within the sum of £632,000 available for potential pay awards as noted in paragraph 8.7 above.

12 Risk Management

12.1 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.

13 Legal Implications

13.1 None

14 Equality Issues

14.1 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.

15 Conclusion

15.1 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:	2		
Author:	Chief Executive	Ext:	8101
File Ref:	N/A		
Report to:	General Purposes Committee	Date:	17 April 2019



**PAY CLAIM FOR 2019
SUBMITTED BY UNISON, GMB & UNITE TO TEST VALLEY BOROUGH COUNCIL**

1. INTRODUCTION

This pay claim is submitted jointly for all of the unions (UNISON, GMB & UNITE) under the local pay claim agreement and on behalf of staff working for Test Valley Borough Council – as implemented by the authority prior to 1991.

This currently recognises 16 Grades in the pay scale structure, ranging from Chief Executive at the highest point - down to Grade 2 at its lowest.

Performance related pay is not offered or recognised by any of the relevant unions or the authority for this local agreement.

Outline of joint union claim

The claim is set at a level that we believe recognises the following key points:

- Major increases in the cost of living over recent years have significantly reduced the value of staff wages;
- Appropriate reward is needed to sustain and potentially improve the morale and productivity of staff in their crucial role of delivering high quality services – A number of which are currently going through restructures and the recent staff survey results showed that 35% of staff has low morale.
- Appropriate reward is needed for the increased workload and stress placed on staff against a background of local challenges;
- Pay awards to Test Valley Borough Council staff over recent years while above average, have only been catching up on losses inflicted directly by the recession.
- Increased likelihood of recruitment and retention problems in the long term with both public and civil service employers suffering an expertise drain to the commercial and private sectors - Increased vacancy rates across the economy making a competitive wage rate ever more crucial;
- 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.

2. SUMMARY OF JOINT CLAIM

We are respectfully seeking:

- A **4%** increase on all salary points and allowances on all grades, without bottom loading or a request to explore splitting officer and management graded awards. Therefore, while understanding union members calls for better wealth distribution - instead proposing;
- An additional increase in rates for staff at the very bottom of the scale (Grade 2) bringing their pay up to the level of a; '**Living Wage**' to **£9.10p Per Hour**.
- Claims above to be effective in award from **01 April 2019**.

3. FALLING VALUE OF PAY

The table below demonstrates the major fall in living standards suffered by staff over recent years.

	Test Valley BC pay increases	Rise in cost of living ¹ (as measured by Retail Prices Index)
2010	0%	4.6%
2011	0%	5.2%
2012	1%	3.2%
2013	1%	3.0%
2014	2.5%	2.4%
2015	2.5%	1.0%
2016	2.5%	1.8%
2017	2.5%	3.6%
2018	2.5%	3.3%

Source: HM Treasury, Forecasts for the UK Economy, Nov 2018.

This means that, while the cost of living has risen by 28.1% over the last nine years, pay in Test Valley Borough Council has risen by just 14.5% which means that thousands of pounds have been cut out of the value of staff wages.

Latest inflation figures have now hit 2.7% and Treasury forecasts indicate that the cost of living is set to average 3.2% throughout 2019, followed by three further years of inflation running at over 3%.

4. FALLING BEHIND AVERAGE PAY RATES

The ability of Test Valley Borough Council to attract and retain staff in the long term will be damaged if the pay of its staff falls behind the going rate in the labour market.

The table below shows that pay settlements over the last year across the economy **upper level** have been running at 2.8%, which stands in contrast to the most recent Test Valley Borough Council settlement of 2.5%.

Sector	Average pay settlements
Across economy	2.8%
Private sector	2.8%
Public sector	2.2%
Not for profit	2.5%

Source: Labour Research Department, settlements year to July 2018

The Office for National Statistics reported in October 2018; *'The health check on the labour market showed that pay – which excludes bonuses, was 3.1% higher in the three months ending in August 2018 than in the same quarter a year earlier'.*

The table below shows that pay settlements were initially running behind economy averages 2010 to 2013, however later Test Valley Borough Councils rates had an uplift in 2014 and have been consistent, but could now become uncompetitive without a more pragmatic approach.

Year	Average pay settlements	Test Valley BC pay increases
2010	2.0%	0%
2011	2.5%	0%
2012	2.5%	1%
2013	2.5%	1%
2014	2.5%	2.5%
2015	2.2%	2.5%
2016	2.0%	2.5%
2017	2.0%	2.5%
2018	2.5%	2.5%

5. LIVING WAGE BECOMING STANDARD MINIMUM PAY BENCHMARK

The Living Wage has become a standard benchmark for the minimum needed for low-paid staff to have a “basic but acceptable” standard of living.

Test Valley Borough Council is now competing in a labour market where the Living Wage of £9.00 an hour outside London and £10.55 an hour in London has become an increasingly common minimum point in the pay scale.

Studies supported by Barclays Bank have shown that Living Wage employers report an increase in productivity, a reduction in staff turnover / absenteeism rates and improvements in their public reputation.

Consequently, there are now over 4,700 employers accredited as Living Wage employers by the Living Wage Foundation, including some of the largest private companies in the UK, such as Barclays, HSBC, IKEA and Lidl.

Across the public sector, minimum rates at or above the Living Wage have been established for staff among all Scotland’s public sector organisations, NHS Agenda for Change throughout Britain, Further Education colleges in Wales and all UK universities (for staff on a 35-hour week). Support staff in more than 12,000 schools across the UK is also set to be paid the Living Wage as a result of national agreements.

Furthermore, even where national agreements have not achieved a Living Wage settlement, a major proportion of individual councils, schools and academies have taken up the Living Wage on their own initiative. A UNISON Freedom of Information survey covering local government, universities, further education colleges and police authorities that drew over 900 responses found that 51% of employers across these sectors already pay at least the Living Wage to their lowest paid staff.

6. RECRUITMENT AND RETENTION PRESSURES BUILDING

With the unemployment rate at its lowest level in 43 years and vacancies escalating across the economy, competitive wage rates are becoming ever more crucial.

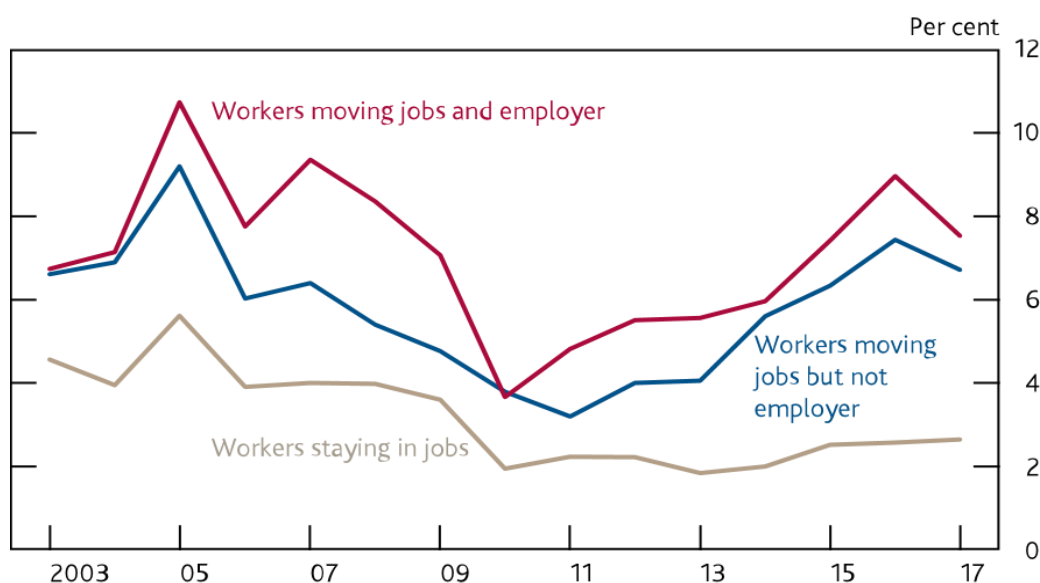
The general unemployment rate has been in decline from a peak of 8.5% in 2011 to 4% over the three months to November 2018, while the number of unemployed people per vacancy has fallen from 5.8 to 1.6 over the same period.

Unemployment rates are forecast to remain around current levels over the next year, averaging 4.1% in 2019.

The Bank of England is currently forecasting that;

A tightening labour market and lower unemployment is typically associated with higher pay growth as it becomes more difficult for firms to recruit and retain staff. Whole-economy regular average weekly earnings (AWE) growth — which excludes bonuses — rose to 2.7% in the three months to May from 2.0% a year earlier, broadly as anticipated.

Data from the Annual Survey of Hours and Earnings suggest that pay rises for those switching jobs had increased to pre-crisis rates, both for those moving to a new employer and for those moving to a new role with the same employer. Pay rises for those staying in the same job had remained subdued, however, and would need to increase to support a broader rise in labour cost pressures.



Source: HM Treasury, Forecasts for the UK Economy, January 2019

7. EFFICIENCY RESTRUCTURES

Government austerity cuts and a drive to see welfare reform delivered regardless of who it hurts, has impacted on the poorest and most vulnerable in our society and left those who maintain the relevant services now finding some roles and departments having to be merged as a direct result. Test Valley Borough Council has managed to avoid redundancies so far, but employees across a number of departments which have faced restructure are still coming to terms with the changes and what the future of central and local government reform will bring.

Stability, good communication, courage of conviction and clear direction from management at all levels is required so that staff feel they are valued and not just taken for granted through these changes and what lies ahead.

8. MORALE UNDER THREAT

Working against a backdrop of government budget cuts, employees have been facing greater workload pressures. The resulting increased stress puts the morale of the workforce at risk and poses a long-term threat to Test Valley Borough Councils ability to provide a consistent quality of service. While the council rightly reports that of those who took part in the recent staff survey, most are happy and feel the council is a good place to work. It still remains a fact that over 2017/18 the unions saw their best ever jump of new member recruitment for over 10 years. This shows palpable concern amongst staff, but for which executive representation review of matters dealt with over the same period, was mainly down to complaints of poor top down communication and management inconsistency - Not just concerns for potential job losses and government cuts. Therefore, any stagnation of wage, allowance and out of hours remuneration could erode good will and further compound feelings in staff decisions to vote with their feet.... Not just return dissatisfaction in a survey.

9. PUBLIC RIGHT TO HAVE CAPABLE AND EXPERIENCED OFFICERS

Although retirement, personal decisions for advancement and natural progression within a workforce changes the dynamics of both teams and departments, it is often forgotten that because systems and processes of work are passed from person to person, that the capability and experience will ultimately be eroded if efficiency drives and savings are implemented without urgent regard for retention and training being equally balanced.

Regardless of the calibre of new recruits to statutory work and the cost to employ with savings at Test Valley Borough Council, both the council and the public equally need the existing knowledge and experience of its public service officers to be retained and passed on. Any council's foundations are built on people with life experience and an understanding of how the processes of the past can be abridged with the needs of the future.

10. CONCLUSION

The Test valley Borough Council current statement of accounts is cautious, but optimistic about current finances and highlights the councils desire to see reserves and revenue surplus invested in projects which it feels will yield a strengthening return for the council if carefully managed and nurtured by corporate and council members. The staff and relevant unions in representation are sure that Test Valley Brough Council would not decry the same amount of care and nurture equally to its staff - seeing as many of the headline projects and services greatly depend on their dedication, skill and investment in them.

A workforce that is recognised for its experience and difficulty in replacing will deliver consistency and flexibility - Especially if their own acts of goodwill, which go above and beyond that of normal terms and conditions (sometimes overlooked in the measurement of success) is not forgotten in this award. The recent emergencies at a very large local employer and residential block of flats being just 2 examples of where staff have gone above and beyond in doing what is needed to serve its public and employer.... but the more mundane and unseen acts of selflessness that happen every day here are just as important.

11. CLOSING STATEMENT AND SUBMISSION

This again then echoes the previous compilers thoughts for the 2018 submission;

There can be no doubt that all Test Valley Borough Council staff have seen the value of their earnings fall considerably over recent years and evidence suggests that they are also falling behind pay settlements for comparable jobs.

Combined with these developments, the last year (yet again in 2018 /19) has seen intensified pressures placed on staff at the same time as greater job choices are opening up for staff in an improving labour market.

Therefore, this pay claim represents a very reasonable estimate of the reward staff deserves for their dedication, skill and hard work and the minimum improvement in pay needed to maintain workforce morale for delivering consistently high-quality services.

The representatives of the 3 relevant unions now respectfully submit this joint claim on behalf of the Test Valley Borough Council staff and our members for your kind consideration and approval.

Thursday 07th March 2019.

UNISON

Barry Andrews – Accredited Steward / Equalities Officer (Local)

GMB

Gary Shepherd – Workplace Organiser (Local)

Keith Roberts – Regional Officer

UNITE

Richard White – Regional Officer

HAY pay scales 2018

ANNEX TWO

1st April 2018

Trainee	HGTRAIN	£13,168	£13,823	£14,468	£15,116	£15,785	
		£16,900	£17,258	£18,079	£18,925	£19,844	£20,924
1 / 2	HG0200	£15,327	£16,105	£16,885	£17,682	£18,477	
3	HG0300	£16,247	£17,078	£17,947	£18,775	£19,624	
4	HG0400	£17,278	£18,191	£19,108	£20,021	£20,924	
5	HG0500	£19,118	£20,133	£21,141	£22,163	£23,174	
6	HG0600	£21,090	£22,207	£23,344	£24,474	£25,587	
7	HG0700	£25,380	£26,742	£28,109	£29,475	£30,867	
8	HG0800	£28,181	£29,725	£31,265	£32,820	£34,361	
9	HG0900	£31,570	£33,301	£35,033	£36,767	£38,523	
10	HG1000	£36,196	£38,194	£40,199	£42,193	£44,191	
11	HG1100	£40,586	£42,837	£45,084	£47,314	£49,561	
SM1	HSM100	£47,085	£49,679	£52,286	£54,904	£57,507	
SM2	HSM200	£57,203	£60,364	£63,546	£66,704	£69,889	
SM3	HSM300	£64,411	£67,988	£71,530	£75,121	£78,694	
CO1	HCO100	£71,918	£75,896	£79,892	£83,877	£87,863	
CO2	HCO200	£84,289	£88,957	£93,635	£98,309	£102,969	
CE	HCE000	£101,023	£106,626	£112,221	£117,830	£123,425	

Trainee	HGTRAIN	£6.83	£7.17	£7.50	£7.84	£8.18	
		£8.76	£8.95	£9.37	£9.81	£10.29	£10.85
1 / 2	HG0200	£7.94	£8.35	£8.75	£9.17	£9.58	
3	HG0300	£8.42	£8.85	£9.30	£9.73	£10.17	
4	HG0400	£8.96	£9.43	£9.90	£10.38	£10.85	
5	HG0500	£9.91	£10.44	£10.96	£11.49	£12.01	
6	HG0600	£10.93	£11.51	£12.10	£12.69	£13.26	
7	HG0700	£13.16	£13.86	£14.57	£15.28	£16.00	
8	HG0800	£14.61	£15.41	£16.21	£17.01	£17.81	
9	HG0900	£16.36	£17.26	£18.16	£19.06	£19.97	
10	HG1000	£18.76	£19.80	£20.84	£21.87	£22.91	
11	HG1100	£21.04	£22.20	£23.37	£24.52	£25.69	
SM1	HSM100	£24.41	£25.75	£27.10	£28.46	£29.81	
SM2	HSM200	£29.65	£31.29	£32.94	£34.57	£36.23	
SM3	HSM300	£33.39	£35.24	£37.08	£38.94	£40.79	
CO1	HCO100	£37.28	£39.34	£41.41	£43.48	£45.54	
CO2	HCO200	£43.69	£46.11	£48.53	£50.96	£53.37	
CE	HCE000	£52.36	£55.27	£58.17	£61.07	£63.97	

ITEM 9 Review of the Council's Grading Structure

Report of the Chief Executive

Recommended:

That the grading structure be updated in line with equal pay best practice as set out at Annex 1.

SUMMARY:

- A review of the Council's pay and grading structure has been undertaken
- A pay and grading structure is made up of two parts:
 - A job evaluation part where the job evaluation scores are separated into grades. This was found to follow best practice.
 - A pay spine which is placed against each of the grades. Currently each grade is separated into 5 points, where 2-3 of these points overlap with the previous pay grade.
- Best practice is not to have a pay spine with overlapping pay scales.
- This report recommends removing the overlapping pay points to bring the pay spine into line with best practice.
- The report recommends removing points 1 and 2 on the pay spine and making amendments to pay points 3 and 4 in Grades 3 and 4 to remove the overlap. See new suggested grade structure at Annex 1
- There will be no increase in the maximum pay of each grade arising from this proposal.
- No employees will be adversely affected by the changes. A few employees who are on point 1 or 2 of the grade on the 1 April 2019 will move to point 3 of the grade.
- The cost for making these changes as of 1 April 2019 have been included in the pay award.
- The report recommends retaining the training grade which is a longer 6 point scale in full to enable the appointment and development of higher level apprenticeships at level 4 and above.

1 Introduction

- 1.1 As part of reviewing equal pay arrangements, the HR Manager has undertaken a review of the Council's pay and grading structure to ensure it is in line with best practice.

2 Background

- 2.1 A pay and grading structure is made up of two parts. A job evaluation part, where job evaluation scores are linked to individual pay grades and a pay spine which is placed against each of the grades. The separation of the Council's HAY Job Evaluation scores into grades follows best practice and this has been confirmed by an external HAY expert, who confirmed no minor adjustments were needed.
- 2.2 The Council's existing pay spine has been set up with 5 scale points for each grade, where between 1 and 3 of those scale points overlap with the previous grade. Overlapping pay scales raise the issue of individuals doing work of greater value (in Job Evaluation terms) but potentially being paid less than colleagues on a lower grade.
- 2.3 Butting, where the top of one grade is equal to that of the next grade, is generally seen as acceptable as an individual on the maximum of the lower grade has several years' experience, which means they may be doing work of an equal value to a new starter on the next grade.
- 2.4 General best practice is not to have overlapping grades. Aside from the equal pay considerations it is generally perceived as unfair by employees.

3 Corporate Objectives and Priorities

- 3.1 The issue of valuing staff and treating them fairly and with respect and in line with equal pay best practice is key to having a motivated workforce and being a high performing Council.

4 Consultations/Communications

- 4.1 The matter has been the subject of consultation with Heads of Service and Portfolio Holders. They support a recommendation being made to this Committee to update the pay spine and remove the overlap between the grades as suggested in the table in 5.2
- 4.2 Consultation has also taken place with the unions. At the point of writing this report we are awaiting their response. The outcome of this consultation will be reported verbally at the Committee.

5 Options

- 5.1 It is recommended the pay spine be updated to remove the overlapping pay points across the grades. The suggested new pay spine can be seen below where points 1 and 2 have been greyed out to leave a pay spine with 3 scale points per grade. Where there is a 3 point overlap (Grades 3 and 4) between the grades an adjustment has been made to points 3 and 4 to remove the overlap and to smooth out the difference between the points in the grade. Corrected pay points can be seen in Grades 3 and 4 below. There will be no increase in the maximum pay of each grade arising from this proposal.

5.2 Table based on 2018/19 pay spine

Grade	Point 1	Point 2	Point 3	Point 4	Point 5
1 / 2	£15,327	£16,105	£16,885	£17,683	£18,477
3	£16,247	£17,079	£17,948 £18,500	£18,776 £19,062	£19,624
4	£17,279	£18,192	£19,108 £19,650	£20,021 £20,296	£20,924
5	£19,119	£20,133	£21,141	£22,163	£23,175
6	£21,091	£22,207	£23,345	£24,475	£25,588
7	£25,381	£26,742	£28,110	£29,476	£30,868
8	£28,181	£29,725	£31,266	£32,821	£34,361
9	£31,571	£33,302	£35,033	£36,768	£38,523
10	£36,196	£38,194	£40,199	£42,193	£44,191
11	£40,587	£42,837	£45,085	£47,315	£49,561
SM1	£47,086	£49,679	£52,286	£54,905	£57,508
SM2	£57,203	£60,364	£63,546	£66,704	£69,890
SM3	£64,412	£67,989	£71,531	£75,121	£78,695
CO1	£71,919	£75,897	£79,893	£83,878	£87,863
CO2	£84,290	£88,957	£93,635	£98,309	£102,970
CE	£101,024	£106,626	£112,221	£117,831	£123,426

5.3 The Council also has a training grade covering 6 scale points and it is recommended that this is retained to enable the appointment and development of apprentices (including those who may be school leavers who have completed an A level course) to undertake level 4 or higher level apprenticeships. Some degree level apprenticeships may take 5-6 years to complete. This training grade is detailed below.

	Point 1	Point 2	Point 3	Point 4	Point 5	Point 6
TRAIN	£16,900	£17,259	£18,080	£18,925	£19,845	£20,924

5.4 This would be in addition to the pay grade we already have for Level 2 and 3 apprentices who commence employment on £6.00 per hour in year 1 raising to £6.50 per hour or the national minimum wage for their age in year 2 whichever is the higher.

6 Option Appraisal

6.1 The benefits of making the recommended changes to the pay spine bring the Council's pay and grading structure into alignment with equal pay best practice.

6.2 The assimilation of 28 employees on scale points 1 and 2 on the 1 April 2019, will be to raise them to point 3 of their current grade, meaning no employees will be adversely affected by the changes.

7 Risk Management

7.1 If the current pay and grading structure remains unchanged there is a risk this may give rise to an argument around equal pay.

8 Resource Implications

8.1 The costs for making the changes to the pay spine have been included in the costs of the 2019/20 Pay Award.

9 Legal Implications

9.1 No adverse legal implications are identified resulting from the recommendation contained in this report. If approved, the recommendation would result in increased robustness of the Council's pay and grading structure.

10 Equality Issues

10.1 The recommended changes have arisen from a review of the Council's grading structure and promote good practice in terms of equality.

11 Conclusion

11.1 Recommend amending the Council's Pay Spine to bring it into alignment with equal pay best practice as outlined in this report. The suggested amendments to the existing pay spine are included in section 5.2 of this report. The recommended new pay spine is attached at Annex 1.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<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	File Ref:	N/A
Officer:	Alex Rowland	Ext:	8251
Report to:	General Purposes Committee	Date:	17 April 2019

ANNEX 1

Proposed Grading Structure based on 2018/19 pay scales

Grade	Point 1	Point 2	Point 3
1 / 2	£16,885	£17,683	£18,477
3	£18,500	£19,062	£19,624
4	£19,650	£20,296	£20,924
5	£21,141	£22,163	£23,175
6	£23,345	£24,475	£25,588
7	£28,110	£29,476	£30,868
8	£31,266	£32,821	£34,361
9	£35,033	£36,768	£38,523
10	£40,199	£42,193	£44,191
11	£45,085	£47,315	£49,561
SM1	£52,286	£54,905	£57,508
SM2	£63,546	£66,704	£69,890
SM3	£71,531	£75,121	£78,695
CO1	£79,893	£83,878	£87,863
CO2	£93,635	£98,309	£102,970
CE	£112,221	£117,831	£123,426

Apprentice Grades						
Level 2 and Level 3	Year 1 £6.00 per hour		Year 2 £6.50 per hour or the national minimum wage for their age whichever is the higher			
	Point 1	Point 2	Point 3	Point 4	Point 5	Point 6
Level 4 and above	£16,900	£17,259	£18,080	£18,925	£19,845	£20,924