

# Staff Pay Award for 2023/4

Report of the Chief Executive

## Recommended:

- 1. That subject to full Council approval of the unbudgeted sum set out in paragraph 7 below a full and final pay award for 2023/4 of 6% be made with effect from 1 April 2023 to all employees except the Chief Executive.**
- 2. That the pay award for the Chief Executive for 2023/4 is the same as that agreed nationally by ALACE (the Association of Local Authority Chief Executives and Senior Managers) for Chief Executives pay for 2023.**

### SUMMARY:

- The report recommends a full and final pay award for 2023/4 of 6% following negotiations with the trade unions in response to their pay claim for 2023/4.
- A percentage increase is recommended which is different from the NJC (National Joint Council) pay offer (which has been rejected by the Unions at national level). This followed comparison work undertaken in relation to how pay at Test Valley has changed compared with inflation (CPIH) over the last 10 years. This showed that Council pay at Test Valley has retained pace with inflation. This is different to those local authorities who follow the national pay negotiations where pay has fallen behind inflation.

## 1 Introduction – The Union Pay Claim

- 1.1 Each year the Council enters into negotiations with the Unions in relation to the annual pay award.
- 1.2 The UNISON, Unite and GMB trade unions have submitted the pay claim for 2023/4 on behalf of their members, see Annex 1 to the report. This is summarised as follows:
  - A 15.8% pay award (An above-inflation increase of RPI (13.8%) plus 2% on all salary points and allowances to help restore and maintain employees' living standards
  - A commitment to review the Council's other pay and allowances (including those not covered by NJC such as mileage allowance and out of hours working), with a view to introducing suitable increases to recognise the additional pressures being faced by staff in key areas
  - A one day increase to the minimum paid annual leave entitlement for all staff who did not receive this increase in 2022
  - A review of working hours in order to seek an overall reduction in the working week without loss of pay

- 1.3 In their pay claim, the unions make reference to engaging in meaningful consultation and the Council demonstrating its commitment to creating a workforce which is properly rewarded for the efforts they continue to make. It sets out the inflation picture as at end of February 2023 and highlights additional costs staff face in relation to increased cost of living. The claim refers to an aspiration to establish a minimum hourly rate of £15 per hour well above the national minimum and living wage, which is currently £10.42.
- 1.4 The claim requests a substantial pay increase to restore and maintain living standards of employees which they claim have been eroded over the years and to improve recruitment and retention pressures.

## **2 Information to consider in relation to the pay claim**

- 2.1 The current economic climate and high inflation rates impacts on costs for employees, such as increased energy, food and other household costs. In looking to agree a pay award for this year, the Council is looking to support employees in a timely way with these increased costs while at the same time maintaining a balance of prudent financial management and what is affordable together with the Council's responsibility as an employer to protect services and jobs.
- 2.2 Inflation
- 2.3 With regards to the pay award, the Council calculates inflation as of February each year and uses CPIH as the recognised measure of inflation. Inflation (CPIH) was up 9.2% in the year to February. Inflation has come down slightly since then but remains at 7.3% to the twelve months to June 2023. The largest contributors to inflation are energy costs and food prices.
- 2.4 The unions raised points in their pay claim around the impact of inflation over the last 10 years and the falling value of pay in real terms. There is much unrest across the sector currently around pay as in local government nationally, pay has fallen behind inflation over the last 10 years. However, at Test Valley over the last 10 years, pay has kept pace with CPIH across all but the CE grade. The table below sets out how the Test Valley pay award compares with CPIH over that time period. To get a true picture of inflation, the same time period of February each year has been used for the inflation figures.
- 2.5 The table shows that pay at Test Valley has maintained pace with inflation. Where the Council has focused its approach on uplifting the lowest paid in the workforce, this has resulted in those graded up to G6 being given cumulative pay awards of more than 32.8%\*, over the last ten years - this compares very well with the cumulative CPIH inflation rate of 21.3% over the same period.

Year	Pay Award	TVBC Pay Increases				Inflation		
		Up to G6		Above G6		Date	CPIH	
		Actual	Cumulative	Actual	Cumulative	Year to	Actual	Cumulative
2013/4	1% (min £250)	1.0%	1.0%	1.0%	1.0%	Feb-13	2.5	2%
2014/5	2.50%	2.5%	3.5%	2.5%	3.5%	Feb-14	1.6	4.1%
2015/6	2.50%	2.5%	6.1%	2.5%	6.1%	Feb-15	0.4	4.6%
2016/7	2.50%	2.5%	8.8%	2.5%	8.8%	Feb-16	0.6	5.2%
2017/8	2.50%	2.5%	11.5%	2.5%	11.5%	Feb-17	2.3	7.6%
2018/9	2.50%	2.5%	14.3%	2.5%	14.3%	Feb-18	2.5	10.3%
2019/20	4%/2.5%	4.0%	18.8%	2.5%	17.1%	Feb-19	1.8	12.3%
2020/1	2.75%	2.8%	22.1%	2.8%	20.4%	Feb-20	1.7	14.2%
2021/2	1.75/1.5%	1.8%	24.2%	1.5%	22.2%	Feb-21	0.7	15.0%
2022/3	£1925 (Remove G2)	6.9% G6.3	<b>32.8%</b>	3.6% G11.3	<b>26.6%</b>	Feb-22	5.5	<b>21.3%</b>
2023/4	Proposed	6%	<b>40.8%</b>	6%	<b>34.2%</b>	Feb-23	9.2	<b>32.5%</b>

- 2.6 The 2022/23 pay award was a flat rate increase of £1925 with a variable pay rise from 9% increase at Grade 3 to a 1.5% increase at CE level. The table above shows that this represented a 6.9% increase for those on G6.3 in the up to G6 column. In the above G6 column, the G11.3 increase (3.6%) is used. Those below this grade would have had a higher percentage increase and those above a lower percentage increase. The bottom row shows the recommended 6% pay award for 2023/4, as proposed in this report, and how this compares with inflation to Feb 2023.
- 2.7 Analysis of how the pay increases at TVBC have been compared with inflation over the last 10 years shows that those in the lower grades have done better than inflation, with those in higher grades maintaining pace with inflation and those in the very highest grades seeing a slight decrease.
- 2.8 The Unions use RPI as their measure of inflation; however, since 2013 RPI has been held not to meet international statistical standards and the Office of National Statistics no longer classifies it as a “national statistic” emphasising the CPI or CPIH index instead. (RPI is being replaced from 2030 with CPIH. CPIH is the same as CPI but includes owner occupiers housing costs and Council Tax.) As of March 2017, CPIH became the ONS’s lead measure of inflation.

## 2.9 Employee Retention

- 2.10 Overall morale is good with 74.4% of staff saying their morale is good at work in the latest staff survey undertaken last Autumn, this was up 5% from the previous year. Many things impact on morale including the Council's approach to being fair with pay over the years.
- 2.11 Our reputation as a good employer and financial and political stability support us to attract good people. The Council had 66 leavers in 2022/23, with a turnover rate of 12.8%. However, we are not immune to recruitment challenges and, similar to other public sector bodies, recruiting to some technical roles is more challenging. In reviewing our hard to recruit areas we identified a number of roles, many of which were between G9 and G11 as being high risk of recruitment challenges if vacant. There are also some lower graded roles we have found it difficult to recruit to in the last 12 months.
- 2.12 Recruiting and retaining talented employees is important in the delivery of high quality services, people may look for higher paying roles where they are struggling to pay for increased household costs.

## 2.13 National Pay

- 2.14 TVBC is not party to the national pay bargaining arrangements for local government; its pay framework is based on locally agreed pay arrangements for all employees. Whilst, the "national award" has always been a point of reference, TVBC have not always followed it. Last year TVBC's pay award mirrored the pay element of the NJC award with a pay increase of £1925 on all spinal column points. (There was also an additional day's leave for employees on Grades 3-8 with less than five years' service.)
- 2.15 NJC Pay Claim for 2023/4 is:

- An increase of RPI (13.8%) plus 2% on all spinal column points

In addition:

- Consideration of a flat rate increase to hourly rates of pay in order to bring the minimum rate up to £15 per hour within two years
- A review and improvement of NJC terms for family leave and pay
- A review of job evaluation outcomes for school staff whose day to day work includes working on Special Educational Needs (SEN)
- An additional day of annual leave for personal or well-being purposes
- A homeworking allowance for staff for whom it is a requirement to work from home
- A reduction in the working week by two hours
- A review of the pay spine, including looking at the top end, and discussions about the link between how remuneration can be used to improve retention

- 2.16 The NJC employers side offered a full and final pay award of £1,925 to pay point 43 and 3.88% above this in March 2023 in relation to 2023/4 pay award.

This has been rejected by all three unions nationally who are balloting their members on strike action. The outcome of this is not yet known, and strike action is expected to be planned in the Autumn. Any agreement at a national level is likely to take many months to come to a conclusion.

#### 2.17 The Living Wage

2.18 The National Living Wage which is the government minimum wage rose from £9.50 to £10.42 in April 2023. This is expected to rise to around £11.08 in April 2024, but maybe as high as £11.50. The Living Wage Foundation – real living wage is currently £10.90 outside of London.

2.19 Our current lowest pay point 3.1 is £11.42 an hour, providing a gap between our lowest pay point and the national living wage. A 6% increase in pay would bring our lowest pay point to £12.11 per hour.

### **3 Corporate Objectives and Priorities**

3.1 The Council has an aim to develop an outstanding workforce with the skills and experience needed to deliver services effectively and when working with our communities. This links directly to the Council's vision to work collaboratively, to deliver high quality services that support all communities in Test Valley to thrive. As an organisation, the Council keeps its total reward offering, inclusive of all remuneration and other measures, under review as part of valuing and supporting employees and continuing to be a high performing organisation and an employer of choice in the local market. The annual pay award is a key part of keeping our total remuneration package in line with the market and under review.

### **4 Consultations/Communications**

4.1 The three recognised trades unions have been consulted on a pay award for 2023/24. Initial discussions around a potential pay award of 5% was rejected by all three unions. The unions were asked to consult their members on a revised full and final offer of 6%. Unite and GMB members have voted to accept the offer. UNISON members have voted to reject the offer and UNISON have proposed to TVBC an alternative pay offer of a flat rate payment which costs the Council the same as the 6% offer (this equates to £2,075 per person).

### **5 Options and Options Appraisal**

5.1 In proposing a pay award this year, the Council has balanced the needs of employees at a time of high inflation with budget pressures and retaining jobs and quality service provision. Below are some costed options for consideration, these include the national offer, which has been rejected by the unions. An increase of 5% for all pay points costs less than the national offer (which has been rejected by the unions), 6% slightly more (accepted by 2 of the unions). A flat rate increase of £2075 has also been included as this is the equivalent cost wise of a 6% offer and has been put forward as an alternative option by the third union.

Option	Cost	Pressure in excess of budget and full amount set aside for inflationary pressures
National NJC rejected offer of £1,925 or 3.88%	£1,339,043	£421,525
5%	£1,162,675	£245,156
6%	£1,395,348	£477,829
Flat rate £2,075	£1395,315	£477,796

- 5.2 The recommendation is that the committee approve a full and final pay offer of 6%. This is considered the maximum amount that could be afforded by the Council without having a significant impact on our requirement to set a balanced budget in the medium term.
- 5.3 This 6% recommended award has been accepted by Unite and GMB and rejected by UNISON. UNISON propose that their flat rate alternative will not impact on the integrity of the pay spine but does provide staff with the same financial reward for their efforts over the last year.
- 5.4 Research undertaken ahead of this year's pay claim looked at how pay across the pay spine had changed over the last 10 years in line with inflation. This showed those in lower pay grades had done significantly better than inflation, while those on middle to higher pay grades had remained pace with inflation.
- 5.5 A flat rate £2,075 increase provides a 9.4% increase at the bottom of the pay spine and a 1.5% increase at the top. This would lead to the bottom pay spine point increasing by 15% compared to inflation over the last 10 years, and the top point reducing by 6%. With a single 6% increase many more roles in the middle of the pay spine retain pace with inflation over the same time period, see table below:

Pay Spine point	Current value	With 6% increase	% increase	Comp to 10 yr inflation	With £2075 increase	% increase	Comp to 10 yr inflation
3.1	£22,040	£23,362	6%	11%	£24,115	9.4%	15%
6.1	£27,308	£28,946	6%	6%	£29,383	7.6%	8%
9.3	£43,106	£45,692	6%	1%	£45,181	4.8%	0%
11.3	£54,906	£58,200	6%	0%	£56,981	3.8%	-2%
SM1.3	£63,400	£67,204	6%	0%	£65,475	3.2%	-3%

- 5.6 A single percentage increase was proposed and put forward to the unions this year in preference to a flat rate increase to support recruitment and retention across all grades. In a number of recent years there has been a focus on increasing pay at the lower pay points. Work undertaken to review harder to recruit areas has identified a number of technical roles in the middle to higher grades as being harder to recruit to. With the recruitment market remaining challenging across a range of these technical roles a single percentage increase was suggested to support them to be competitive in the market and help the Council to recruit in areas it is currently finding difficult.
- 5.7 Agreeing a pay award at this time will support employees with the increased costs they face at a time of high inflation in a timely way. Alternative options are to recommend a different option or to wait until the national negotiations have been resolved, but with industrial action pending, the outcome of these is not likely to be known for some time.
- 5.8 The annual pay award has been agreed each year with all 3 unions with the exception of 2020, when Unite rejected offer. As the other 2 unions had agreed the proposed award the pay award was approved. This mirrors practice nationally which requires a majority of unions to accept, not unanimous agreement.
- 5.9 Approval of a pay award now will mean that staff will see their pay increase and receive back-dated pay in their October pay packets.
- 5.10 It is recommended that the pay award be awarded to all employees, with the exception of the Chief Executive. This is because it is the Chief Executive who led the pay negotiations on behalf of the Council as the Head of Paid Service and avoids a conflict of interest in relation to his own pay award. It is therefore recommended that the pay award for the Chief Executive follows that which is agreed by ALACE (the Association of Local Authority Chief Executives and Senior Managers) for Chief Executives pay for 2023. There is an option to follow this recommendation or to award the Chief Executive the same pay award as that agreed for other employees.
- 5.11 In terms of the additional elements of the Union's pay claim. The Council has a policy of increasing a number of allowances in line with inflation on 1 April each year. These were increased by 9.2% on 1 April 2023.
- 5.12 The lowest pay point G3.1 is currently £11.42 per hour, a 6% increase in pay would increase this to £12.11 per hour. To increase G3.1 to £15 per hour is a 31% increase in pay and would have wide-ranging implications across the whole pay scale. To provide some further context, £15 per hour is approximately equal to the top of Hay Grade 6.
- 5.13 The committee reviewed the request from the unions for all employees to be given an additional day's leave at the February 2023 GPC meeting and increased those on Grades 3-8 with less than 5 years' service by an additional day's leave taking their entitlement to 25 days. Annual leave for all employees is more generous than the National agreement on pay and conditions of service for local government, "Green Book" provision. Green Book annual leave entitlement is a total of 25 days rising to 28 after 5 years (this is inclusive of additional statutory days). Below is a copy of TVBC annual leave entitlements.

		<b>Service, including Previous Continuous Local Government Service</b>		
<b>Grade</b>	<b>Basic</b>	<b>After 5 years</b>	<b>After 10 years</b>	<b>After 15 years</b>
3 – 8 & apprentices	25 days	28 days	30 days	32 days
9 – SM3	26 days	29 days	31 days	34 days
CX & DCX	28 days	31 days	33 days	36 days
All employees receive an additional day's leave for Christmas closure				

5.14 Enhancing the amount of leave for staff has clear benefits for morale. However, there is a compensating loss of productivity / increased temporary staff cost in managing that leave, particularly in areas where it is essential to have staff operating every day.

5.15 As existing leave levels are already more generous than the Green Book amounts, it is not recommended that increased leave be awarded as part of this pay award.

## **6 Risk Management**

6.1 The proposed staff pay award looks to balance the risks around affordability with those of recruitment and retention and staff morale and maintaining quality service provision.

## **7 Resource Implications**

7.1 The 2023/4 budget, including the full amount set aside for inflationary pressures, is £917,519 available for pay awards without creating a budget pressure.

7.2 A 6% pay award or £2,075 flat rate award would create a budget pressure of £448,000. This unbudgeted expenditure would require full Council approval. If the Committee accepts the recommendation contained in this report, the additional spend would be the subject of a report to Council on 13 September 2023 and contingent on Council approval of that unbudgeted sum. If full Council approves the unbudgeted £448,000, it is recommended that the sum be drawn from the Budget Equalisation Reserve. There is sufficient balance in this Reserve to meet the cost. The additional cost will need to be added to the budget gap for 2024/5 and future years. If full Council does not approve the unbudgeted sum then the matter of the 2023/4 pay award will need to be reconsidered by this Committee.

## **8 Legal Implications**

8.1 None

## **9 Equality Issues**

9.1 No equality issues have been identified with the recommendation to pay all employees the same percentage increase or the same flat rate increase.



## 10 Conclusion

- 10.1 It is recommended that the General Purposes Committee approves a full and final pay offer for 2023/24 of 6% subject to full Council approval of the budget shortfall.

<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
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Report to:	General Purposes Committee	Date:	4 September 2023