

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		
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