

## **EMPLOYEE PAY & REWARD PROCEDURE - COST OF LIVING AWARD 2020-2024**

<b>Head of Service/Contact:</b>	Shona Mason, Head of HR & Organisational Development
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Annexes/Appendices (attached):</b>	<b>Annex 1</b> - Draft Employee Pay & Reward Procedure 2020 -2024 <b>Annex 2</b> - Epsom & Ewell Borough Council Pay Policy 2016/20
<b>Other available papers (not attached):</b>	Epsom & Ewell Borough Council Pay Policy Statement

### **Report summary**

This report seeks approval of the draft Employee Pay & Reward procedure, and also for the Council's proposed pay award for 2020-2024.

### **Recommendation (s)**

#### **That the Committee:**

- (1) approves the draft Employee Pay & Reward procedure for 2020 – 2024, attached at Annex 1;**
- (2) agrees an annual pay award based on CPI as outlined in the draft Employee Pay & Reward procedure for 2020 - 2024 and the costs required to fund the pay award;**
- (3) notes the associated budget implication.**

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- 1.1 The Council's employees are a key part of its efforts to meet the Council's ambition to make Epsom & Ewell an excellent place to live and work, and its policies on the pay of staff will be important in ensuring that the Council meets its key priorities. In particular, any policy about pay is relevant to the Council's key priority of "Managing Resources" – the Council aims to utilise its limited resources in the most efficient and effective way.
- 1.2 As outlined in the HR & Communications Service Delivery Plan a review of all core HR policies is being undertaken during 2019/20 to develop a new People Framework. The Employee Pay & Reward procedure is a key part of the new People Framework. The Council is currently consulting on phase two of the People Framework with a view to finalising in the coming months.
- 1.3 There are no implications arising from this report for the Sustainable Community Strategy.

## 2 Background

- 2.1 The Council's Pay Policy 2016 - 2020 sets out the Council's intention in relation to pay for this period and is due to expire in March 2020. Under this Policy the across the board pay awards are set out in the table below:

Year	Pay Award
2019/20	1%
2018/19	0% (Restructured Grades)
2017/18	1.5%
2016/17	1.5%

- 2.2 Currently pay awards have been determined annually and budgeted for in the medium term financial plan. As part of the process, proposed pay awards were submitted to the Staff Consultative Group to formally consult on the level of the pay award and were then invited to make any representations relating to the level of the pay award.
- 2.3 Following receipt of comments, a report with the proposed pay award and response of the Staff Consultative Group went to the HR Panel for consideration. Following this, a report was then prepared for Strategy & Resources, for consideration and approval of the pay award.
- 2.4 The process for agreeing annual pay awards was protracted and failed to align, in terms decision making responsibility.

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- 2.5 As a result, following a review, the processes were amended and the Constitution updated, so as to realign the award of annual pay awards to Strategy & Resources and not HR Panel.
- 2.6 During the current Pay Policy period of 2016 to 2020 the Council has undertaken significant work on the pay structure which is outlined in the table below:

<b>Year</b>	<b>Implementation of Pay Review</b>
<b>2019/20</b>	<b>1% pay award</b> <b>Removal of G12</b> <b>Removal of SCP 1</b> <b>Implement SCP 10</b> <b>Review of all role profiles to generic templates</b> <b>Complete job evaluation for all roles by South East Employers</b>
<b>2018/19</b>	<b>0% pay award</b> <b>Reduction of 20 Market Anchors to 12 Grades</b> <b>Implement annual pay progression</b> <b>Implement new performance scheme (My Performance Conversation)</b>
<b>2017/18</b>	<b>1.5% pay award</b> <b>Development and costing of revised pay and performance scheme</b> <b>Consultation with staff</b> <b>Stop annual appraisals</b>
<b>2016/17</b>	<b>1.5% pay award</b>

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	<b>LGA review of pay and performance</b>
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- 2.7 The Council is currently in the final stages of reviewing its Pay and Performance scheme in conjunction with the Local Government Association (LGA). South East Employers are currently undertaking a job evaluation exercise to ensure that all roles are graded correctly as a result of the changes made to the pay structure in 2018/19 when 20 Market Anchors were reduced to 12 Grades.
- 2.8 During 2019/20 the HR team have been undertaking a full review of all core HR policies and developing a new People Framework. The new draft Employee Pay & Reward procedure is one of the key policies and will replace the Council's existing Pay Policy 2016/20.

### **Draft Employee Pay & Reward Procedure**

- 2.9 On 6 March 2019 the draft Employee Pay & Reward procedure was issued to Staff Consultative Group for consultation specifically focusing on the next four years with annual pay awards linked to the Consumer Price Index (CPI).
- 2.10 In the draft Employee Pay Reward procedure, the annual pay award for staff will be based on CPI rate taken in the month of September, prior to the April when any pay award is implemented.
- 2.11 The CPI for September has just been published at 1.7% and therefore will inform the April 2020 pay award for all staff at 1.7% if the procedure is agreed by Committee.
- 2.12 The consultation period with staff on the draft Employee Pay & Reward procedure ran for 5 weeks until 10 April 2019. In their responses the Staff Consultative Group were supportive of the four year program and proposed pay awards based on CPI. They also confirmed that the new Employee Pay & Reward procedure provided greater clarity and were pleased that the Council is seeking to improve on previous years pay awards, which had been viewed as modest.
- 2.13 Now that the consultation process has been completed and all comments and feedback has been received, the new draft Employee Pay & Reward procedure needs to be approved for the period 2020 – 2024.

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### **Economic Context**

- 2.14 To give economic context to the Council's draft Employee Pay & Reward Policy and proposed annual pay awards based on CPI the following information is provided: Consumer Prices Index for August 2019 was 1.7%. Over the previous 12 months the rate of annual change has varied between 2.4% and 1.7%.
- 2.15 Retail Prices Index for August 2019 was 2.6%. Over the previous 12 months the rate of annual change has varied between 3.5% and 2.4%.
- 2.16 The latest UK average weekly earnings growth rate for the whole economy for 2018 was 3.5% and 2.3% for the public sector.
- 2.17 Information on pay awards within our benchmark group and in the South East, National Pay settlement and the IRS Pay and Benefits pay levels indicate that awards being considered range from 1 – 2.5% for the period 2018/19.
- 2.18 Central Government in its 2015 statement recommended a 1% pay award cap for public sector workers for a 4 year period. The cap was removed during 2018 in recognition that dedicated public sector workers deserved a pay rise.
- 2.19 Central Government, National Living Wage for employees over the age of 25 of increased on 1 April 2019 from £7.83 to £8.21. The Council must ensure that all employees over the age of 25 are paid the National Living Wage as a minimum. Over the past four years the Council has taken action to address the increasing national living wage ensuring that the bottom grade of the pay structure is above the national living wage.
- 2.20 The staff turnover for 2018/19 was 20.7% (14.1% resignations only). This is a rise from the previous year (16% - 13.7% resignations only) which indicates that as the labour market becomes more buoyant, there is a likelihood that the Council would lose skilled staff to other organisations offering competitive salaries. As such it is important to ensure our offer remains competitive in terms of salaries.

### **3 Proposals**

- 3.1 The draft budget includes a provision for a pay award of 2% for staff in 2020/21.
- 3.2 On the basis of the above it is recommended that the Committee consider the draft Employee Pay & Reward procedure for 2020 -2024 and specifically the annual pay award linked to CPI for the next four years.

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- 3.3 The approved budget available would allow the Committee to consider the recommended pay award linked to CPI for the next four years. This proposal will need to be considered in the light of the external and internal market data, turnover figures and the comparative information that is available. Any award below the current rate of inflation is likely to make us less competitive in relation to our neighbours. An award above 2% will require the identification of additional savings from elsewhere to fund an increase over 2%.

### 4 Financial and Manpower Implications

- 4.1 The total pay bill inclusive of agency staff and employer salary on-costs is £11.5 million.
- 4.2 It is estimated that the cost of this proposal will be approximately £1million over four years based on an average CPI of 2% and includes on-costs which has been included in the draft Medium Term financial Strategy for 2020/24.
- 4.3 **Chief Finance Officer's comments:** Linking annual pay increases to CPI harmonises the inflationary uplift with what is currently in place for member allowances and local government pensions.
- 4.4 Although CPI for September 2019 is below the 2% included within the draft MTFS, it is anticipated that over the remaining years of this Pay Policy the CPI rate will average out at 2% .
- 4.5 The draft budget for 2020/21 includes a provision for pay awards of £400,000, with £230,000 to fund the cost of living increase and the balance to fund progression through the pay scales. Any unallocated provision will be set aside to fund any potential increases in CPI above 2% in future years

### 5 Legal Implications (including implications for matters relating to equality)

- 5.1 The Council's pay structure and policy/procedure needs to fair and transparent. The proposed Employee Pay & Reward Procedure will provide this transparency along with the Council's Pay Policy Statement.
- 5.2 **Monitoring Officer's comments:** none arising from the contents of this report.

### 6 Sustainability Policy and Community Safety Implications

- 6.1 There are no implications for this report.

### 7 Partnerships

- 7.1 There are no implications for this report.

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### **8 Risk Assessment**

- 8.1 Failure to agree a pay award for staff is likely to lead to increased turnover and difficulties in recruitment and retention of staff, as well as contribute to low staff morale.

### **9 Conclusion and Recommendations**

- 9.1 The Committee is requested to approve the draft Employee Pay & Reward Procedure which will be form part of the HR Framework, agree to the recommendation of the pay award to be linked to CPI for the period 2020 - 2024 and agree to the funds pay for the award.

**Ward(s) affected:** (All Wards);