

## **STAFF PAY AWARD**

**Head of Service:** Andrew Bircher, Interim Director of Corporate Services

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

**Appendices (attached):**

### **Summary**

This report provides information and options about the staff pay award which was considered by the Strategy and Resources Committee on the 14<sup>th</sup> November 2023. The committee made a recommendation which Council is asked to approve and recommend for inclusion in the 2024/25 budget setting process.

### **Recommendation (s)**

#### **The Council is asked to:**

- (1) Consider the recommendation from the Strategy and Resources Committee for a 6% staff pay award (Option 4), and agree whether this should be implemented and taken forward into the 2024/25 budget setting process, or;**
- (2) Advise whether Option 1, 2, or 3 should be implemented instead.**

## **1 Reason for Recommendation**

- 1.1 The reason is as set out above.

## **2 Background**

- 2.1 The Strategy and Resources committee met on the 14<sup>th</sup> November 2023 and they considered and debated the issues set out below. After a vote on the options the 6% pay award was unanimously agreed upon.
- 2.2 By way of background to the debate, the council's annual pay award was previously agreed for a period of four years from 2020 – 2024. The year 2023/24 was the last year of that pay award so a new deal needs to be agreed for 2024/25.
- 2.3 Within the four-year period the cost of living pay award was aligned with Consumer Price Index inflation (CPI) in the month of September prior to the April when the pay award was implemented.

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- 2.4 Where CPI exceeded 3%, a cap of 3% was applied to the pay award to ensure affordability.
- 2.5 As stated in the council's Employee Pay & Reward Procedure, we have endeavoured to maintain the partnership approach and have worked closely with the Staff Consultative Group (SCG) to actively consult on pay.
- 2.6 The cost of living pay award for 2022/23 was 3%, as CPI for September 2021 was 3.1%. The pay award for 2023/24 is 3% as the September CPI was 10.1% - in both years, the agreed 3% cap was triggered. For the past two years staff have received pay awards beneath the prevailing inflation rates.
- 2.7 At the time of presenting to the Strategy and Resources Committee writing, CPI inflation for September was 6.7%, down from 8.7% in April. According to the [Bank of England's latest Monetary Policy Committee Summary for September 2023](#), inflation is expected to keep falling:
  - 2.7.1 "CPI inflation is expected to fall significantly further in the near term, reflecting lower annual energy inflation, despite the renewed upward pressure from oil prices, and further declines in food and core goods price inflation. Services price inflation, however, is projected to remain elevated in the near term, with some potential month-to-month volatility".
- 2.8 The inflation rate for October 2023 dropped to 4.6%
- 2.9 Despite inflation moderating to some extent through 2023, there have been widespread strikes and industrial action across the public sector in response to pay deals. For 2024/25, the government has accepted the recommendations from a number of independent pay review bodies to award millions of public sector workers including police officers and teachers, pay awards in the range of 5-7%.
- 2.10 A survey was produced by SCG which sought to gauge staff opinion on a pay deal to which 140 responses were received. This equates to approx. 40% of all staff.
- 2.11 The survey responses have been discussed/analysed and the recommendations are as follows:
  - 2.11.1 Given the current uncertainty with inflation rates there was an overwhelming preference for a single year deal (82% of respondents in favour).

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- 2.11.2 Annual pay progression applies to all employees who have not reached the maximum spinal column point of their grade. It is awarded to employees who are in post at the end of the financial year, i.e. 31 March and on or before 1st October of the previous year, based on a recommendation by their manager in line with the council's Performance Management Procedure.
- 2.11.3 Pay progression is budgeted for in the medium term financial strategy (MTFS). It equates to c.2% of salary and is only applicable to those staff who are not at the top of their pay grade. For some staff, pay progression is considered as separate to the pay award.
- 2.11.4 Approximately a fifth of staff are currently at the top of their pay grade and this will rise to approximately a third by next year.
- 2.11.5 Of the total percentage of respondents who expressed a specific view, 80% of staff indicated that an increase in the 5-7% range was appropriate, with the majority of staff expressing a view closer to 7%.
- 2.11.6 A further sentiment emerging from the survey was that the council should fund the highest percentage pay award possible rather than supporting one off, non-consolidated payments or payments in kind such as an increase to holiday entitlement, etc.
- 2.12 The cost of any deal is crucial, with the council already facing a budget deficit of £1.1m in 2024/25. In budget planning for the medium-term financial strategy (MTFS) pay has been assumed to be 3% for the next 4 years, therefore any award above 3% will increase the council's projected deficit and result in additional, compensating service income or savings having to be identified.
- 2.13 But based on the feedback above, wider-public sector settlements and the current level of inflation which remains high, 3% is not considered to be a suitable offer by staff.
- 2.14 The council also needs to consider its position as an employer (and its ability to recruit and retain staff) compared to other neighbouring authorities whose starting salaries are often higher than Epsom and Ewell.
- 2.15 In addition to the above, the UK National Living Wage (NLW) is expected to rise to at least £11.00 per hour (an increase of at least 5.7%) with effect from 1 April 2024. In line with the council's Pay Policy Statement, no employee will be paid below the NLW rate.
- 2.16 NLW has repeatedly risen by a higher percentage than our pay awards in recent years, which has eroded any headroom we previously had within our pay scales and this will need to be monitored and addressed as appropriate.

### 3 Options

- 3.1 Each 1% pay award costs the council circa £130k per annum. With a 3% pay award already factored into the council's most recent projections, this means a 4% pay award would increase the council's existing projected budget deficit (currently c.£1.1m) by £130k. A 5% pay award would increase the projected deficit by c.£260k, and so on.
- 3.2 In light of the above information on historic pay, current levels of inflation, staff expectations on pay, and the council's financial position, councillors of the Strategy and Resources Committee were asked to consider 4 options:
- 3.3 Option 1 would be a 3% pay award, in line with existing financial projections, with no increase to the council's existing projected deficit.
- 3.4 Option 2 would be a 4% pay award, increasing the council's projected budget deficit by c.£130k.
- 3.5 Option 3 would be a 5% pay award, increasing the council's projected budget deficit by c.£260k.
- 3.6 Option 4 would be a 6% pay award, increasing the council's projected budget deficit by c.£390k.
- 3.7 In all of the above options:
- 3.7.1 staff will also remain eligible for pay progression (if not already at the top of their pay grade). Pay progression can typically be worth up to an additional 2% increase in salary, which has already been factored into the council's financial projections.
- 3.7.2 no employee will be paid below the National Living Wage rate uplift.
- 3.8 The committee voted unanimously to recommend option 4 to full council.

### 4 Risk Assessment

#### Legal or other duties

- 4.1 Equality Impact Assessment
- 4.1.1 The pay award applies equally to all staff.
- 4.2 Crime & Disorder
- 4.2.1 There are no issues that arise as a result of this report.
- 4.3 Safeguarding
- 4.3.1 There are no issues that arise as a result of this report.

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### 4.4 Dependencies

#### 4.4.1 None

### 4.5 Other

#### 4.5.1 None

## 5 Financial Implications

5.1 Apart from a 3% pay award, the three other options – increases of 4%, 5% or 6% – would result in a requirement to identify additional savings or income of c.£130k, £260k or £390k respectively.

5.2 **Section 151 Officer's comments:** The council already faces a significant challenge to address its existing projected budget gap of £1.1m for 2024/25. The size of any pay award will have a direct impact the council's financial sustainability, particularly because additional savings/income typically become increasingly more difficult to identify.

5.3 If either of options 2-4 is chosen, the Council will need to be tasked with identifying additional savings or income, as set-out in paragraph 5.1.

## 6 Legal Implications

6.1 **Legal Officer's comments:** The committee is asked to make a recommendation to Full Council on a staff pay award, and it is within the remit of the committee to do so.

## 7 Policies, Plans & Partnerships

7.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- The paper has implications on recruiting and retaining staff as well as providing a responsible budget to manage the council's finances.

7.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.

7.3 **Climate & Environmental Impact of recommendations:** None

7.4 **Sustainability Policy & Community Safety Implications:** None

7.5 **Partnerships:** None