

STAFF PAY AWARD

Head of Service:	Andrew Bircher, Interim Director of Corporate Services
Report Author	Andrew Bircher
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None

Summary

This report provides information and options for the committee to make a recommendation to Council for a staff pay award for 2025/26

Recommendation (s)

The Committee is asked to:

- (1) Recommend to full council a pay award for staff for 2025/26 based on one of the options as set out in point 4 below.**

1 Reason for Recommendation

- 1.1 The reasons are set out in the report below.

2 Background

- 2.1 Following discussion, the November 2023 S&R committee made a recommendation to Council that a 6% pay award should be made to staff in 2024/25. That recommendation was accepted by Council.
- 2.2 That recommendation was for a one-off agreement and followed a period where a 4-year deal had been agreed. The earlier 4-year deal had been set at a time of low inflation. Given the cost-of-living spike which we have seen over the recent few years, it was felt that a much larger pay award than had traditionally been seen would be appropriate to ensure that staff were supported through a cost of living crisis and for staff salaries to remain competitive.

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- 2.3 Since then, things have changed in the economy and inflation has fallen significantly during 2024/25. The UK inflation rate was 2.3 percent in October 2024, up from 1.7 percent in the previous month.
- 2.4 The cost of any award is crucial. In budget planning for the medium-term financial strategy (MTFS) pay has been assumed to be 2% for the next 4 years, therefore any award above 2% will push the council's budget into deficit for 2025/26 and result in additional, compensating service income or savings having to be identified.
- 2.5 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 and with the current announcements around Local Government Reorganisation and the impact this may have on retention during this time.
- 2.6 In addition to the above, the UK National Living Wage (NLW) will rise sharply again in 2025 and in line with the council's Pay Policy Statement, no employee will be paid below the NLW rate, which is a legal requirement.
- 2.7 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 in 2025 with a review of our overall pay scales and spine points.
- 2.8 A survey was produced by Staff Consultative Group which sought to gauge staff opinion on a pay deal to which 93 responses were received. This equates to a third of all staff. The survey responses have been discussed/analysed and the recommendations are as follows:
- 2.8.1 There was widespread support for a one-off deal, rather than a multi-year deal as we have had in the past.
- 2.8.2 When asked if staff would prefer all available money to be put into the largest possible % rise or a smaller % pay rise, but with an additional, non-consolidated payment on top, 85 out of the 93 opted for option one – to put all the money into the largest possible rise.
- 2.8.3 Staff were asked about what level of salary increase was considered appropriate, with free text to supply details.

Suggested pay level	% of total voting
2%	9%

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3%	11%
4%	8%
5%	23%
6%	15%
Higher than 6% or not specific figures	34%

2.8.4 Staff were also asked about the benefits they currently have and which are considered to be most valuable and know about / appreciated. This was in the context of asking if there were other benefits that people would like to see and a range of options were suggested. The top three that staff voted for was an additional day's leave (a wellness day if required), more annual leave, and the option to buy or sell annual leave.

2.9 Dealing with the comments on staff holiday arising from the survey it is proposed that the executive team review these with a view to considering whether they can be accommodated and will also carry out an exercise to compare annual leave levels with those across Surrey and neighbouring authorities.

3 Other pay pressures – National minimum / living wage and national insurance contributions

3.1 The impact of the increase in national insurance means the employer contribution will go up by 1.2% to 15%. In addition, the threshold after which the contribution becomes payable has dropped to £5,000 from £9,100. The estimated cost of this increase equates to £269,000 per annum. We have had confirmation that the government will provide grant funding to support this increase. Analysis of the proposals suggest this funding will only meet £120,000 of these costs and the balance of £149,000 will create a further pressure for Council budgets.

3.2 In the October budget it was announced that the national minimum wage also known as the national living wage would rise from £11.44 to £12.21 per hour from April 2025, which is a 6.7% increase. The council has a number of people as established staff, casuals and people on agency who are paid at the minimum wage.

3.3 Dealing with the cost of the regulated increase, would cost the council an estimated £1,155 per week or £60k per annum.

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- 3.4 This does not take into account any further changes that we would need to make as a result of staff on the minimum wage catching up and in some cases overtaking the pay rates of staff who are on higher salary scale, whose pay will not increase at the same rate as the minimum wage.

4 Options

- 4.1 Each 1% pay award costs the council circa £154k per annum. With a 2% pay award (including pay scale increments) already factored into the council's most recent projections, this means a 3% pay award would push the council's budget into deficit by £154k.
- 4.2 In light of the above information on historic pay, current levels of inflation, staff expectations on pay, and the council's financial position, councillors are asked to consider a range of pay options.
- 4.2.1 Option 1 would be a 2% pay award, in line with existing financial projections, with no increase to the council's existing projected deficit.
- 4.2.2 Option 2 would be a 2.5% pay award in line with current CPI index, increasing the council's projected budget deficit by c.£77k.
- 4.2.3 Option 3 would be a 3% pay award, increasing the council's projected budget deficit by c.£154k.
- 4.2.4 Option 4 would be any other % award put forward by members, bearing in mind the comments above (this would require an additional recommendation, with a proposer and seconder, and subsequent vote).
- 4.3 In all of the above options:
- 4.3.1 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.
- 4.3.2 no employee will be paid below the National Living Wage rate uplift.
- 4.4 Councillors have agreed to mirror the staff pay award for the councillor allowances.
- 4.5 If a pay award above 2% is chosen a funding source will have to be identified to offset the costs and approved by Councillors.

5 Risk Assessment

Legal or other duties

- 5.1 Equality Impact Assessment

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5.1.1 The pay award does not impact staff differently and as a result there are no EIA issues that arise directly from this report

5.2 Crime & Disorder

5.2.1 There are no issues that arise directly from this report

5.3 Safeguarding

5.3.1 There are no issues that arise directly from this report

5.4 Dependencies

5.4.1 None

5.5 Other

5.5.1 none

6 Financial Implications

6.1 The final budget for 2025/26 has yet to be agreed by the Council. With the risk around ongoing Local Government funding, escalating costs pressures and unforeseen risk, the Council should take a fair but restrained approach to the pay award for 2025/26. The Council is required to set a balanced budget and any pay award above 2% will push the 2025/26 budget into a deficit position.

6.2 **Section 151 Officer's comments:** Financial implications are set out in the body of the report.

7 Legal Implications

7.1 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.

7.2 **Legal Officer's comments:** None arising from the content of this report.

8 Policies, Plans & Partnerships

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

- Effective Council.

8.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

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

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

8.5 **Partnerships:** N/A

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9 Background papers

9.1 The documents referred to in compiling this report are as follows:

Previous reports:

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Other papers:

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