

STAFF PAY AWARD

Head of Service:	Jackie King, Chief Executive
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 2026/27.

Recommendation (s)

The Committee is asked to:

- (1) Recommend to full council a pay award for staff for 2026/27 based on one of the options (as set out in section 5 below) being:**
 - 1.1 Option 1** – a 2% pay award or;
 - 1.2 Option 2** – a 3% pay award, or;
 - 1.3 Option 3** – an alternative % increase put forward by members
- (2) Recommend to full council that funding is approved to support the implementation of the Real Living Wage from April 2026.**

2 Reason for Recommendation

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

3 Background

- 3.1 Last year, the council agreed a 2% pay award for staff for 2025/2026 financial year. This was a one-year deal. Consultation with staff favoured one year rather than multiyear pay award deals, both this year and last year

Strategy and Resources Committee

11 November 2025

- 3.2 In the run up to this year's pay award decision, we have again consulted with staff. We proposed a 3% pay award, along with one additional day's annual leave for all staff. Feedback from the consultation broadly supports this.
- 3.3 At this time of year, it is common for councils to consider the latest September Consumer Prices Index (CPI) when reviewing in year pay awards. The CPI for September has been released at 3.8%. However, for the 2025/26 financial year, a 2% pay increase has already been implemented at the start of the year. While the September CPI figure can be a useful reference point when planning the 2026/27 pay award, it is important to note that it reflects past inflation and may not fully capture future economic conditions.
- 3.4 In addition to the cost of living pay award, many staff have an incremental pay rise of approximately 2% as they move through the pay scale. However, it is worth noting that we have a reasonable number of staff (18%) who are at the top of their pay scale and will therefore not be eligible for an incremental pay rise alongside the pay award. This is due to them reaching the top of grade for their current role.
- 3.5 Any pay award will lead to the same increase in Members' Allowance.
- 3.6 Initially as part of last year's Medium Term Financial Strategy (MTFS), we had assumed a 2% pay award in 2026/27. However, following a review, this assumption was revised to 3% in July 2025, which amounted to approximately £150,000 and contributing to the projected deficit to £2 million in 2026/27.
- 3.7 For illustrative purposes, every 1% increase in staff pay equates to an additional cost of approximately £150,000 per annum. Therefore, if the Council decides to make a recommendation to increase the pay award above the 3% mentioned above this would increase the 2026/27 deficit as shown in the table below.

Percentage increase in Pay Award	2026/27 Deficit
2%	£1.85 million
3%	£2 million (Reported in July 2025)
4%	£2.15 million
5%	£2.3 million

- 3.8 There is currently ongoing work to plug the deficit and ensure a balanced budget before Full Council on 10 February 2026.

Strategy and Resources Committee

11 November 2025

The Real Living Wage (RLW)

- 3.9 As part of the Council's pledge to tackle poverty, it is proposed that the council adopts the Real Living Wage.
- 3.10 The Real Living Wage is different to The National Living Wage (NLW). The latter is the UK government's legally mandated minimum hourly rate for workers aged 21 and over, currently set at £12.21 per hour as of April 2025. It is designed to ensure a basic standard of living and is part of the statutory wage framework.
- 3.11 The Real Living Wage is a voluntary rate calculated independently by the Living Wage Foundation, based on the actual cost of living including essentials like housing, food, and energy. While over 16,000 employers have adopted the Real Living Wage, it is not legally required but aims to provide a more sustainable income for workers.
- 3.12 In October 2025 the Real Living Wage has been announced as £13.45 (to be implemented if approved by 1 May 2026). The National Living Wage for April 2026 has not been announced but estimates from the Low pay Commission range from £12.55-£12.86 with a median estimate of £12.71. These figures below show what the potential financial impact could be:

Rate	Additional cost of adopting the RLW in April 2026 rather than legally mandated NLW
Based on current NLW of £12.21	£68,052
Lower estimate of NLW increase in April 2026 to £12.55	£52,397
Median estimate of NLW increase in April 2026 to £12.71	£43,355
Upper estimate of NLW increase in April 2026 to £12.84	£34,878

- 3.13 Adopting the Real Living Wage (RLW) above National Living Wage (NLW) is an important step in supporting low-paid workers. While the NLW sets a statutory minimum, the RLW reflects the actual cost of living and pays accordingly.
- 3.14 For the Council, this move demonstrates a commitment to social responsibility, equity, and the wellbeing of its workforce, especially the lowest paid. Although the additional cost is estimated to be in the region of £35,000 to £68,000, it will be managed as part of the Council MTFS.

Strategy and Resources Committee

11 November 2025

4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

4.1.1 An Equality Impact Assessment is not considered necessary here as the pay award to staff is not related to or dependent on any protected characteristics.

4.2 Crime & Disorder

4.2.1 There are no issues arising from this report.

4.3 Safeguarding

4.3.1 There are no issues arising from this report.

4.4 Dependencies

4.4.1 Whatever is agreed as a pay award will feed into the 26/27 Council budget.

4.5 Other

4.5.1 None.

5 Financial Implications

5.1 The financial implications are shown above.

Options for members to consider

5.2 **Option 1** – This would be a 2% pay award as assumed in last year's MTFS with a deficit of £1.850m in 2026/27.

5.3 **Option 2** – This would be a 3% pay award, increasing the council's projected budget deficit by £150,000 as reported in July 2025, to £2.000m.

5.4 **Option 3** – Any alternative % increase put forward by members will need to bear in mind the financial pressures reported above.

5.5 **Section 151 Officer's comments:** The proposed 3% pay award, alongside the additional day of annual leave, reflects a balanced approach to staff pay award in the context of current financial circumstances and feedback from staff consultation. While this exceeds the original MTFS assumption of 2%, the financial implications have been modelled and are understood. The increase will contribute to a projected budget deficit of £2 million in 2026/27, which is being actively addressed through the budget-setting process.

Strategy and Resources Committee

11 November 2025

- 5.6 Notwithstanding the impact of any Real Living Wage decision, Members should be mindful that any further increase beyond 3% would place additional strain on the Council's financial position and may require further savings or income generation measures to ensure a balanced budget is achieved by February 2026, depending on the outcome of the financial settlement and final outturn position.

6 Legal Implications

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

7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- Settlement of a balanced budget
- 7.2 **Service Plans:** The matter is not included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** There are no implications
- 7.4 **Sustainability Policy & Community Safety Implications:** There are no implications
- 7.5 **Partnerships:** N/A
- 7.6 **Local Government Reorganisation Implications:** The pay award will be for next year, prior to any LGR implementation

8 Background papers

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

Previous reports:

- None

Other papers:

- Medium Term Financial Strategy 2025/26-2028/29