

26 March 2014		ITEM: 11
Council		
Pay: Annual Pay Policy Statement 2014/15		
Report of: Graham Farrant, Chief Executive		
Wards and communities affected: N/A	Key Decision: N/A	
Accountable Head of Service: Jackie Hinchliffe, Head of HR, OD & Transformation		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		
Purpose of Report: To agree the annual Pay Policy 2014/15 in accordance with the Localism Act 2011		

EXECUTIVE SUMMARY

The Localism Act 2011 requires the Council to publish an annual Pay Policy Statement for Chief Officer Pay. The Statement must be approved by Council before 31 March 2014. Council are therefore asked to consider and approve the Pay Policy Statement for 2014/15.

1. RECOMMENDATIONS:

That the Council:

- 1.1 Approve the Pay Policy Statement for 2014/15.**
- 1.2 Agree the implementation of a 1% cost of living increase for Single Status pay scales.**
- 1.3 Agree to continue paying the UK Living Wage as a supplement for Single Status employees.**
- 1.4 Agree to implement the increase in the UK Living Wage to £7.65 per hour.**
- 1.5 Confirm no pay increase for senior officers in 2014/15.**
- 1.6 Approve an increase in apprenticeship rates to the national minimum wage after 6 months of satisfactory performance.**

2. INTRODUCTION AND BACKGROUND:

- 2.1 This report seeks to approve the annual Pay Policy Statement for 2014/15 as required by the Localism Act 2011. The Statement must set out the Council's policies relating to remuneration of its Chief Officers.
- 2.2 The principles contained in the 2014/15 Statement are in line with the decisions taken during the approval process of the previous Statement of 2013/14. This included the adoption of the UK Living Wage (previously referred to as the Local Living Wage) which was agreed by Council in a subsequent report on 24 April 2013.
- 2.3 The Government's aim in requiring the statement is to enhance accountability transparency and fairness in the setting of pay in Local Government. The legal requirements on the contents of the statement are broadly drawn and there is considerable discretion over the amount of information that local authorities choose to disclose. However, the statutory guidance ([Openness and accountability in local pay: draft guidance - Publications - GOV.UK](#)) published by the Department of Communities and Local Government has been issued as a guide in the interest of fuller transparency. In the interest of maximising full transparency, the 2014/15 statement has taken into account the statutory guidance, therefore the contents of the statement is over and above statutory requirements.
- 2.4 This report seeks to approve the publication of the 2014/15 statement by 31 March 2014. A copy of the statement can be located under appendix 1 of this report.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1 Essentially the principles of the 2013/14 statement remain the same as in the 2014/15 statement which is attached under appendix 1.
- 3.2 As mentioned earlier, the Council is required to comply with the Localism Act 2011 by agreeing the statement by 31 March 2014 which must be published on the internet by 1 April 2014. In addition, to requesting Council approval of the annual statement, there are options which have been highlighted for consideration. Council are therefore asked to consider whether these matters should be included in the 2014/15 statement:
 - 1% pay increase for Single Status Agreement employees for 2014/15.
 - No recommended pay increase for Senior Managers for 2014/15.
 - A decision on whether to continue paying the UK Living Wage.
 - Implement the increase of the UK Living Wage from £7.45 to £7.65 per hour (£14,760) per annum.
 - An increase in apprenticeship pay rates to meet the national minimum wage.

4. REASONS FOR RECOMMENDATION:

- 4.1 To agree the Pay Policy Statement in accordance with the Localism Act 2011 by 31 March 2014.

5. 1% PAY INCREASE FOR SINGLE STATUS AGREEMENT EMPLOYEES

- 5.1 Thurrock Council moved away from national negotiations in relation to pay as part of the Single Status Agreement in 2006. However, annual pay increases determined by national negotiations currently apply to the Council has to pay the nationally agreed pay award as a minimum.
- 5.2 Pay negotiations are currently taking place nationally regarding pay increases for Local Government. Trade unions have put forward a proposal for an increase of £1 per hour across each pay band which approximately equates to an 8.3% increase in salaries budget.
- 5.3 At present no decisions have been reached however the proposals from trade unions would have a significant impact on the budget in view of the financial challenges facing all Council's at this time.
- 5.4 The Single Status Agreement requires the Council to conduct an annual pay review which is carried out by external consultants. The review is to ensure that the Council's pay rates remain in line with the independent market in order to attract and retain staff. The outcome of the **2014/15** annual pay report recommends an increase of 1% in salaries for Single Status Agreement employees. A copy is attached under appendix, 2.
- 5.5 In the absence of a national agreement and based on the recommendations of the independent market assessment, pay increases have been calculated in the budget at an increase of 1% for Single Status Agreement Employees. This was considered by Council in February 2014 as part of the 2014/15 budget setting process.
- 5.6 The budgeted cost for the 1% pay increased was estimated at **£769,784** comprised of **£658,248** basic pay, **£8,646** national insurance and **£102,890** employer's superannuation.
- 5.7 Appendix 1 annex 1 shows the Single Status Agreement pay scales (bands 1-10) including the proposed 1% pay increase.
- 5.8 Council are therefore requested to approve the proposal to implement a 1% pay increase for Single Status Agreement employees to take effect from 1 April 2014.

6. SENIOR MANAGERS ANNUAL PAY REVIEW

- 6.1 Senior managers have not received a pay increase since 2009. In addition, the senior management arrangements have been through a number of

restructures which has resulted in a reduction in the overall cost. This has been partly achieved by operating shared services with the London Borough of Barking and Dagenham where possible, reducing the number of senior managers across both authorities.

- 6.2 In addition, senior managers do not claim travel expenses (such as car mileage) within Thurrock boundaries.
- 6.3 As with the Single Status Agreement, the Pay Strategy and Pay Policy for Heads of Service and Director Posts also require the Council to conduct an annual independent market assessment.
- 6.4 The results of the 2014/15 annual independent market review for senior managers resulted in a recommendation of no increase in pay. Therefore it is proposed that there will be no pay increase for this group of employees and Council are asked to endorse this.

7. UK LIVING WAGE

- 7.1 This report requests that Council agree to continue paying the UK Living Wage to its lowest paid workers. The UK Living Wage was implemented by Council in April 2013 to demonstrate the Council's commitment in helping to support its lowest paid workers against the cost of living to combat poverty and hardship.
- 7.2 The UK Living Wage was previously set at £7.45 and is reviewed by central government on an annual basis. The figure for 2014/15 has increased by 20 pence and is now currently set at £7.65 per hour. This equates to an annual salary of £14,760. To achieve this, employees on spinal column point 7 and below will receive a supplement to bring salaries up to the UK living rate of £14,760 per annum.
- 7.3 The supplement will be payable for employees on spinal column points 1 to 7 which falls between Bands 1 and part of Band 2 of the Single Status pay scales (appendix 1, annex 1). The increase in the UK Living Wage has been reviewed in the annual budget to ensure that the Council has sufficient budget to meet the financial commitments of the annual increase.
- 7.4 The overall cost of implementing the UK Living Wage based on £7.65 per hour is £132,890 for maintained schools and £14,183 for Council employees. The total combined cost for employees in maintained schools and Council employees is £147,073. The cost to maintained schools is divided amongst the 23 schools in Thurrock according to the number of employees affected in each school.

Implementing the UK Living Wage

- 7.5 There are currently 170.41 full time equivalents (FTE's) on spinal column points 1 – 7 affected by the implementation of the UK living wage. This is

made up of 15.71 FTE corporate Council employees and 154.7 FTE school-based employees.

- 7.6 The figures outlined in paragraph 7.4 are based on an implementation date of 1 April 2014 and employees eligible for the UK Living Wage supplement would be paid with effect from this date.
- 7.7 Support staff working in maintained schools (i.e. non-teaching) fall within the Council's Single Status agreement and are considered as employees of the Council. Schools are also committed to implementing any changes for this group of employees by virtue of their inclusion in the Single Status Agreement.
- 7.8 The Council's Finance department advise maintained schools on the preparation of staffing budgets and have included the increase in the UK Living Wage as well as the 1% pay increase in the 2014/15 budget. Schools have therefore budgeted for the increases and have adequate financial provision to meet the associated costs.
- 7.9 Therefore, if Council approves the commitment to continue paying the UK Living Wage, this should be feasible for Schools since financial provisions have already been accounted for in 2014/15 annual budget.

UK Living Wage Accreditation

- 7.10 A report was presented at Corporate Overview & Scrutiny in September 2012 which highlighted some of the options around the Council becoming accredited as a Living Wage employer. This highlighted a number of indirect associated costs which could put increased financial strain on budgets in relation to the potential increase in service contracts delivered by partners and contractors on behalf of the Council.
- 7.11 In order to achieve accreditation, the Council would need to ensure that all service providers pay the UK Living Wage as a minimum salary. This would pose an increase in the cost of contracts since the service provider would be legally obliged to pay the UK Living Wage to its employees resulting in a transfer of associated costs to the Council.
- 7.12 The Council appreciates the benefits of moving towards becoming an accredited UK Living Wage employer despite the financial challenges this poses as outlined above. However, moving towards accreditation remains an aspiration for the Council, although it is accepted that this may not be achieved in the near future.

8. APPRENTICES

- 8.1 Pay issues relating to apprentices were discussed at Corporate Overview in November 2013. As part of the 2014/15 Pay Policy Statement, Corporate Overview and Scrutiny requested a review of apprenticeship rates to minimise

the time at the base apprenticeship rate and to explore possible options of phasing in pay increases linked to length of service and achievement.

Alternative pay options for Apprentices

8.2 The options available in reviewing apprenticeship rates are as follows:-

- To maintain the current rate of pay in line with government minimum pay for apprentices which currently stands at £2.68 per hour for the first year and then the national minimum wage according to age for the second year.
- To increase apprenticeship rates to the national minimum wage according to age based on the current rates.
- To pay apprentices at the UK Living Wage rate.
- To pay in accordance with the Council's Single Status Agreement pay scales.

Options review

8.3 At present apprentices are paid apprentice pay rates in accordance with national pay rates as stipulated under government guidelines. The minimum amount an employer is permitted to pay an apprentice is £2.68 per hour. At present, the Council pays the minimum amount set by the government for a period of 1 year. The apprentice is then progressed onto the national minimum wage rate according to their age which is as follows:-

Age	21 and over	18 to 20	Under 18	Apprentice
Current 2013 Rate	£6.31	£5.03	£3.72	£2.68

8.4 There is flexibility for Councils to pay either the national minimum wage or the same spinal column pay rates as officers. In this scenario, the apprentice would be paid a slightly lower rate than the job in recognition of the commitment to provide training and development to perform their duties. This is normally achieved by reducing the responsibilities for the job to provide a clear development path. For example, a band 4 post may be reduced to a band 3 in recognition of the reduced level of experience, skills and responsibilities. This approach also justifies the reduced rate of pay to avoid potential equal pay claims from employees who are fully competent in the role.

8.5 The Council also has a small number of graduate trainees in its employment. Graduate trainees receive a different rate of pay compared to apprentices in recognition of the enhanced skills, abilities and experience gained during academic studies. They are appointed on the UK living wage rate throughout the period of their training.

- 8.6 It should also be noted that both graduate trainees and apprentices are employed to undertake a trainee position. Therefore, they should not be employed to cover vacancies since the purpose of the training is to provide opportunities to gain work place experience.
- 8.7 Both apprentices and graduate trainees have the opportunity to apply for jobs in the Council at the end of their period of training and will be appointed at the rate for the job.
- 8.8 There are a number of considerations which need to be explored before the Council commits to increasing apprenticeship rates. These include:
- The Council's commitment and success in running an apprenticeship programme has provided young people with the opportunity to gain valuable skills and experience in the workplace. An increase in rates of pay will invariably impact on the number of apprentices the Council will be able to train and is likely to serve as a disadvantage to young people.
 - The apprenticeship enables the young person to gain a qualification during their period of training free of charge. This provides the young person with the opportunity to acquire a valuable qualification which increases the chance of securing employment within the Council or in other organisations.
- 8.9 Subsequently, a significant increase in apprenticeship rates is likely to reduce opportunities by up to 50% since the Council may be unable to fund existing levels of apprenticeships given the financial challenges it currently faces. However, this could be counteracted by offering supporting programmes such as work- placements to provide young people with the opportunity to gain work-based experience and training. Although work-placements are unpaid they still provide the opportunity for much needed learning and development and will reinforce the Council's commitment to developing young people in the community.

Recommendation

- 8.10 After taking into consideration the purpose of apprenticeships and associated costs, Council are recommended to approve an increase to meet the national minimum wage according to age after a period of six months satisfactory performance. This will allow the Council to continue employing maximum numbers of apprentices to provide increased opportunities to young people. This also provides a fair approach to pay with graduate trainees receiving a higher rate of pay related to skill level.

9. CONSULTATION WITH LOCAL TRADE UNIONS

- 9.1 Recognised trade unions have been consulted on the inclusion of the 1% pay increase and the continuation to pay the UK Living Wage in February 2014. The proposal to continue paying the UK Living Wage has been welcomed as a positive move in favour of their lowest paid members.

9.2 As a result, management have received no objections from local trade unions on the proposal of a 1% pay increase for Single Status Agreement employees, the continuation of paying the UK Living Wage or an increase in apprenticeship rates.

10. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

10.1 Continuing to pay the UK Living Wage supports the Council's Organisational Development Strategy and highlights our commitment to openness, trust and fairness to our community and partners as an employer.

10.2 The Council is conducting a Pay and Reward Review which will be exploring ways of modernising current pay structures so that it is fit for purpose and robust to sustain the challenges going forward. This will include the review of pay structures which make up pay elements in the Council and to look at ways of attracting and retaining the right employees with the necessary skills and capabilities to achieve Council's priorities. The review is currently in progress and is expected to be completed by April 2015.

10.3 Given the considerations raised throughout this report, Council are requested to:-

- Approve the Pay Policy Statement for 2014/15;
- Agree a 1% pay increase for Single Status Agreement employees;
- Continue to pay the UK Living Wage as a supplement and implement the annual increase from £7.45 to £7.65;
- Confirm no pay increase for Senior Managers;
- Increase apprenticeship rates to meet the national minimum wage according to age after 6 months satisfactory performance.

11. IMPLICATIONS

Financial

Implications verified by: **Sean Clark**
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The financial impact of the increase in the UK Living Wage and the 1% pay rise for Single Status pay scales has been considered through this report and has been accounted for during the 2014/15 annual budgeting processes.

Legal

Implications verified by: **Chris Pickering**
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The legal implications in connection with this report arise from consultation with trade unions which has been considered throughout. It is therefore noted that the trades unions presented no objections to the increase in the UK Living Wage or the proposal to increase apprenticeships rates after 6 months satisfactory performance.

Diversity and Equality

Implications verified by: **Natalie Warren**
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The Statement is mostly confirmation of either existing practice or standard protocols set by law and therefore there are no diversity and equality implications arising. The increase in the UK Living Wage and the increase in apprenticeship rates to the national minimum wage after 6 months of satisfactory performance are both likely to have a positive impact on employees at lower ends of the pay scale.

Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Assessment, Sustainability, IT, Environmental

No other significant risks have been identified.

APPENDICES TO THIS REPORT:

- Appendix 1 - Pay Policy Statement 2014/15
- Appendix 2 - Annual Pay Report for Single Status Pay Scales review

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