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|--|-----------------------------|-----------------|
| <b>1 March 2023</b>  |                             | <b>ITEM: 14</b> |
| <b>Council</b>   |                             |                 |
| <b>Annual Pay Policy Statement 2023/24</b>   |                             |                 |
| <b>Wards and communities affected:</b><br>All  | <b>Key Decision:</b><br>N/A |                 |
| <b>Report of:</b> Cllr G Snell – Portfolio Holder for Finance                        |                             |                 |
| <b>Accountable Director:</b> Jackie Hinchliffe – Director of HR, OD & Transformation |                             |                 |
| <b>This report is</b> Public   |                             |                 |

## Executive Summary

The Localism Act 2011 requires the Council to publish an annual Pay Policy Statement for chief officers. This must be approved by Council by 31<sup>st</sup> March each year. Like many other local authorities, Thurrock’s statement includes a pay policy for all categories of employees which reflects existing employment terms and conditions.

The Council’s draft Pay Policy Statement for 2023/24, attached at Appendix 1, sets out the position on 1 April 2023 and meets the requirements of the Act.

In accordance with the Council’s Human Resources Framework Collective Bargaining Agreement the pay award of 4%, contained in this report and the Pay Policy Statement, reflect the recommendation from the independent market assessment conducted in December 2022 and for apprentices and the National Living Wage, the Government’s Budget Statement published on 17<sup>th</sup> November 2022.

### 1. Recommendations

**1.1 The Annual Pay Policy Statement 2023/24 is endorsed in line with the Council’s obligations under the Localism Act 2011.**

### 2. Introduction and Background

2.1 The Localism Act 2011 requires the Council to publish an annual Pay Policy Statement for chief officers. This must be approved by Council by 31<sup>st</sup> March each year. Like many other local authorities, Thurrock’s statement includes a pay policy for all categories of employees which reflects existing employment terms and conditions.

- 2.2 This report seeks approval of the Council's Annual Pay Policy Statement for 2023/24; in particular, the elements of this statement which vary from, or are in addition to, those contained in last year's pay policy.
- 2.3 The Pay Policy is informed by the Human Resources Framework Collective Bargaining Agreement 2019 – 2023 and the Pay Strategy and Pay Policy for Assistant Director and Director Posts.
- 2.4 In November 2022 the National Employers agreed a final offer to the Trade Unions representing the Local Government Workforce of an increase of £1,925.00 on all NJC pay points with effect from 1 April 2022.
- 2.5 This represented a higher increase than applied by the Council in April 2022, following consideration of options and potential consequences, a revised pay policy was agreed at Council in January 2023 to increase the pay scales of bands A to I to reflect the NJC agreement. Council also agreed that a review of pay arrangements will be carried out to identify opportunities to mitigate pay growth.

### **3. Issues, Options and Analysis of Options**

- 3.1 Under Thurrock's 2019 Human Resources Framework Collective Bargaining Agreement, the Council agreed to remove the historical annual link to National Joint Council for Local Government (NJC) pay rates and for the pay rates to be determined locally. The Agreement states:

- ***Annual Cost of Living Review***

- *The Council reserves the right to review, revise, amend or replace the content of the Pay Policy Statement from time to time to reflect service delivery needs and to comply with new legislation, including the inclusion of the payline.*
  - *The annual cost of living review will be a locally agreed decision with reference to the National Negotiating committee (NJC) recommendations, an independent pay review (commissioned annually by the Council), budget availability and the UK Living Wage.*
  - *Should the Council decide that annual pay will increase, this will be applied equally across all pay points.*
  - *The cost-of-living review will continue to be effective from 1st April annually.*
  - *Whilst the annual increase will be locally agreed, the Council commits that the overall increase to the pay line over the lifetime of this agreement (as per section 2.5) shall not be less than the cumulative "headline" increase of the NJC scales, as measured over the same period. This excludes any weighting or "loading" of the NJC scales.*
- 3.2 The current five-year Agreement runs until the 2023/24 financial year. The Agreement does not require the annual cost of living increase to reflect the NJC Award. Instead, the Council is contractually obliged to:

- Conduct and agree an annual cost of living review.
  - Ensure the overall increase in the pay line over the lifetime of the agreement (1 April 2019 to 31 March 2024) is not less than the cumulative increase of the NJC scales over the same period.
  - In addition, the Council aims to ensure its lowest pay point is not below the lowest pay point on the NJC scale and keeps pace with the expected National Living Wage.
- 3.3 Following the revised pay policy in January 2023 the Council has met its obligations to ensure the cumulative increases are not less than NJC awards moving into the final year of the agreement.
- 3.4 The outlook for pay settlements in 2023 is unpredictable due to the challenging backdrop of the post Covid economic recovery; the cost-of-living crisis, high inflation, continued industrial action across several sectors but current expectations are for a median increase of around 5% in the private sector with the public sector seeing a median increase of around 4%.
- 3.5 The NJC negotiations for 2023/24 have not formally commenced however the Trades Unions have submitted a formal claim requesting:

**Our claim is for:**

- • An increase of RPI + 2% on all spinal column points

**In addition:**

- • Consideration of a flat rate increase to hourly rates of pay in order to bring the minimum rate up to £15 per hour within two years
- • A review and improvement of NJC terms for family leave and pay
- • A review of job evaluation outcomes for school staff whose day to day work includes working on Special Educational Needs (SEN)
- • An additional day of annual leave for personal or well-being purposes
- • A homeworking allowance for staff for whom it is a requirement to work from home
- • A reduction in the working week by two hours
- • A review of the pay spine, including looking at the top end, and discussions about the link between how remuneration can be used to improve retention

RPI for December 2022 was 9.2% so the claim represents over 11%. An agreement is not expected until late in 2023. If the final agreement is greater than the award applied by the Council an in year review of the Pay Policy will need to be considered as regards the Council's obligations under the Collective Agreement.

- 3.6 The Collective Agreement references budget availability. The Council has issued a Section 114 Notice as it is unable to balance the budget in the current financial year. The Council's financial position is unprecedented and Government support will be required for many years.

- 3.7 The original financial directions issued in September are likely to be supplemented by further directions to give Commissioners additional powers over the Council. There are considerable concerns over the governance and scrutiny of strategic decision making, performance management and the council's capacity and pace of change and transformation. In this challenging context it is essential the Council retains the ability to attract and retain the skills and capacity needed to deliver recovery and improvement whilst seeking every opportunity to reduce spend.
- 3.8 Provision has been made in the MTFs for an increase in 2023/24. Budgeted pay inflation has been calculated using an indicative 4% pay increase across all pay bands in 2023/24 (£3.6m). Incremental pay progression through the pay scales is assumed in budget for each eligible employee although this is subject to end-of-year performance and development review. It is also noted that the Health and Social Care NI levy is removed, and the employer contribution rate is adjusted back to 13.8%. These adjustments equate to a total additional cost of £4.792m.
- 3.9 Separate provision has been made within the 2023/24 budget to reflect the changes to the 2022/23 pay policy in which the previously awarded increases were uplifted to reflect the £1,925 NJC agreed increase on all pay points (excluding senior manager pay). This change will impact future years and this provision equates to an additional £2.5m when applied to the 2023/24 and reflects known changes to staffing structures.
- 3.10 The review of pay agreed by Council in January will consider the totality of employee spend and identify any options and opportunities to mitigate growth in pay budgets whilst enabling the Council to attract and retain the people it needs; this will include consideration of current policies and the application of the policies. The review will inform the new Pay Collective Agreement and the 2024/25 Pay Policy.
- 3.11 The Chancellor announced a new National Minimum Wage of £10.42 in the November statement.
- 3.12 The attached Pay Policy Statement (Appendix 1) and pay scales reflect the recommendation of the independent market assessment and incorporates the new National Living Wage.
- 4. Independent Pay Reviews**
- 4.1 The Council's Collective Agreement and Pay Strategy and Pay Policy incorporate an independent market assessment to determine appropriate pay increases. This approach ensures pay levels continue to be fair, transparent and represent good value.

## **5. Pay Award for 2023/24**

- 5.1 The independent pay review commissioned by the council recommends that, with effect from 1 April 2023, the council implements an increase of 4% for Bands A to I.

## **6. Pay Award for Senior Management 2023/24**

- 6.1 The Council is not currently in a position to determine and finalise the pay award for Senior Managers for 2023/24. If changes are required a further report amending the Annual Pay Policy Statement will be brought to Council in June.

## **7. The National Living Wage (formally the National Minimum Wage)**

- 7.1 The National Living Wage – the legal, minimum wage for workers aged over 22 will be £10.42 per hour from the 1<sup>st</sup> April 2023.
- 7.2 The National Living Wage for workers aged 21-22 will be £10.18 per hour from the 1st April 2023.
- 7.3 The Living Wage Foundation (Real Living Wage ) for 2023 is £10.90
- 7.4 The Thurrock Living Wage (TLW) will increase by 4% to £10.92 per hour from 1<sup>st</sup> April 2023

## **8. Apprentices**

- 8.1 The pay for Council apprentices is the National Living Wage appropriate to their age from the start of employment. This was agreed in the 2018/19 pay policy statement, as an increase from paying apprentices the lower apprentice rate for the first six months of their employment.
- 8.2 It is proposed to continue this approach to apprentices, increasing the rates in line with the rates as shown in Table 2 below.

Table 2: Apprenticeship rates for 2023/24

|                       | Aged 23 and over | Aged 21-22 | Aged 18 to 20 | Aged under 18 | Apprentice Rate |
|-----------------------|------------------|------------|---------------|---------------|-----------------|
| Rates from April 2023 | £10.42           | £10.18     | £7.49         | £5.28         | £5.28           |

## **9. Consultation with Local Trade Unions**

- 9.1 The report and Pay Policy have been shared and discussed with the Council's recognised Trade Unions.

## **10. Implications**

### **10.1 Financial**

Implications verified by: **Gareth Moss**  
**Chief Financial Officer**

There is £4.792m built into the MTFs that covers the costs of this Pay Policy. Budgeted pay inflation has been calculated using an indicative 4% pay increase across all pay bands in 2023/24. Incremental pay progression through the pay scales is assumed in budget for each eligible employee although this is subject to end-of-year performance and development review. It is also noted that the Health and Social Care NI levy is removed, and the employer contribution rate is adjusted back to 13.8%.

Given the fact that the Council is operating under a s114 Notice any use of this budget will need to be considered at the time of a pay award being given.

### **10.2 Legal**

Implications verified by: **John Jones**  
**Interim Director of Legal and Governance**

Sections 38 to 43 of the Localism Act 2011 require Councils to prepare a Pay Policy Statement for each financial year and the Secretary of State, pursuant to section 40, has issued both the original Pay Accountability Guidance in February 2012 and a supplementary guidance in February 2013. The content of this report and the recommendations comply with the Council's responsibilities in this regard.

The key risk of not implementing the recommended increase relate to the collective bargaining agreement.

The Council's Chief Finance Officer has issued a section 114 notice which places restrictions on what the Council can spend to ensure the that the Council will be able to balance its budget in the future. However, the Council is permitted to continue spending on existing staff payroll and pension costs, and on existing legal agreements and contracts.

As it is likely that the provisions of Thurrock Collective bargaining agreement would be found to be part of the contracts of employment of council employees, expenditure in relation to pay would fall into the category of an exceptional reason for spending to be agreed.

### 10.3 **Diversity and Equality**

Implications verified by: **Becky Lee**  
**Team Manager – Community Development and Equalities**

This pay policy statement implements the recommendations and standard protocols set by law and policy for staff. This includes the fulfilment of responsibilities set out in the Equality Act 2010 and Public Sector Equality Duty.

A community equality impact assessment will be completed to inform implementation of the pay policy statement.

### 11.4 **Other implications**

No other significant implications have been identified.

## 12. **Appendices**

Appendix 1 – Pay Policy Statement 2023/24

### **Report Author:**

Andrew Brown

Strategic Lead Pay and Operations

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