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| 20 March 2024 | ITEM: 14 |
| Full Council | |
| Annual Pay Policy Statement 2024/25 | |
| Wards and communities affected: All | Key Decision: n/a |
| Report of: Graham Snell – Portfolio Holder for Finance | |
| Accountable Assistant Director: Tina Dempsey, Acting Assistant Director HR and OD | |
| Accountable Director: Dave Smith, Chief Executive / Managing Director Commissioner | |
| This report is Public | |
| Version: Council | |

Executive Summary

The Localism Act 2011 requires the Council to publish an Annual Pay Policy Statement, which must be approved in advance of the financial year to which it applies.

The 2024/25 statement reflects the decision of General Services Committee on 12 March 2024 to approve a new collective agreement with Trade Unions to end local collective bargaining on pay awards for employees below senior manager level and apply the National Joint Committee (NJC) for Local Government Services cost of living pay increases from 1 April 2024. The new collective agreement reached with Trade Unions to implement this change is attached for reference as appendix 1.

Following a formal consultation process, General Services Committee have also agreed a new senior manager pay structure. The new arrangements include use of the Local Government Association Chief Officer Job Evaluation Scheme and applying the nationally agreed pay increases for local authority chief officers and chief executives in place of the bespoke pay arrangements introduced by the Council in 2010. These changes are summarised in section 3.3 and reflected in the Annual Pay Policy Statement 2024/25 attached as appendix 2.

Commissioner Comment:

The Council's Section 151 Officer has issued a s114 notice which places restrictions on what the Council can spend to ensure 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.

In January 2023, when Full Council agreed the updated Pay Policy Statement for 2022/23 to increase salaries for the Council's workforce (excluding senior managers) in line with the NJC pay award, a recommendation from the Commissioners for a full review of pay arrangements before any future agreements are made was also approved. Following the completion of this review, Commissioners

and General Services Committee agreed to end local pay bargaining arrangements and to only apply the NJC pay award from 1 April 2024.

With regard to senior manager pay framework, the letter received by the Council on 16 March 2023 from DLUHC, gave Commissioners authority over:

- All functions associated with the Authority's operating model and redesign of council services to achieve value for money and financial sustainability.
- All functions to define the officer structure for the senior positions at the Authority, to determine the recruitment processes and then to recruit the relevant staff to those positions.
- All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions.

The revised senior manager pay framework ensures the reward package and associated administration represents value for money and reflects the changes to the officer structure for senior positions that have been implemented from August 2023. Work to deliver the required changes to performance management will follow completion of the Council's new Performance Management and Accountability Framework (PMAF).

1. Recommendation(s)

1.1 Approve the Council's Annual Pay Policy Statement 2024/25 attached as appendix 2.

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 31st 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 An updated Annual Pay Policy Statement for 2023/24 was approved by Council on 29 November 2023, which included an increase to match the higher NJC pay award as required by the Council's Collective Agreement that applied at that time.
- 2.3 Since Council approved the updated Pay Policy Statement in November 2023, the requested reviews of pay and reward for all levels of the workforce have been completed and agreed with General Services Committee. Following the completion of formal consultation processes, changes that apply from 1 April 2024 are reflected in the statement for 2024/25 and are summarised below.

3. Issues, Options and Analysis of Options

3.1 Outcome of Pay and Reward Review - NJC Pay Award

- 3.1.1 Thurrock left the national collective bargaining arrangements for local government pay determined by the NJC for Local Government Services in 2007, after which annual pay settlements were determined locally in consultation with Trade Unions. The Council's previous collective agreement with Trade Unions, which runs from 2019 to 2023, contained a binding commitment that the overall increase over the lifetime of the agreement shall not be less than the cumulative "headline" increase of the National Joint Committee (NJC) for Local

Government Services (Green Book) pay scales. The Council's flexibility was therefore limited to only paying more, not less than the national pay award, which means the Council was not able to control pay growth through this route, restricting the potential benefits that can be achieved.

3.1.2 Commissioners and General Services Committee agreed that it was more appropriate for an authority of the Council's size and resources to participate in national pay bargaining. Instead of determining the annual pay increase through the budget process, the Council will contribute to the collective bargaining process which is led by the Local Government Association on behalf of employers.

3.1.2 With regard to other aspects of pay, such as overtime, allowances and pay progression, the Committee's decision was to leave them unchanged. This recognised the risks and benefits involved, in particular that delivery of the wider savings programme and implementing the new operating model were the greater priority. Reductions to overtime and allowances had last been reviewed in 2021 and delivered a saving. Pay progression was considered to be an important element of the reward package to attract and retain the workforce.

3.2 New Collective Agreement from 1 April 2024

3.2.1 A new Collective Agreement with Trade Unions is required to implement the decision to apply the NJC cost of living pay awards to the Council's officer pay structure.

3.2.2 The current arrangement for the Council to determine pay increases locally is contained in a Collective Agreement with recognised Trade Unions (GMB, UNISON and UNITE) for the period 2019 to 2023. Consultation has been completed with these Trade Unions who have confirmed they and their members agree to follow the NJC pay award from 1 April 2024.

3.2.3 The Council's initial proposal was to limit the scope of the NJC pay award that would be implemented to agreements on pay alone. This is because the negotiations to decide NJC awards can include changes to other conditions of service. All Trade Unions stated they would only agree if all aspects of pay awards were implemented by the Council.

3.2.4 Following a review of the frequency and potential impact of non-pay related agreements included in the pay award, Officers recommend accepting the Trade Unions' position. This is because there has only been one occasion in the previous 15 years that the Council would have been impacted by an additional part of a pay award if the NJC decision had been followed at the time. This was a change in 2022 to give all employees covered by the NJC pay award one additional day's annual leave from April 2023. There were 2 further changes in that increased minimum annual leave entitlement in 2009 and 2020, which would not have made any difference because the Council's minimum entitlement is 25 days compared to the current NJC minimum of 23 days. Whilst future NJC pay awards may include changes to conditions of service other than annual leave, the Employer's side consider the financial implications for authorities. The Council will benefit from maintain paying and conditions in line with the sector to support recruitment and retention.

3.2.5 The content of the new Collective Agreement is attached at Appendix 1 for reference. Whereas the previous Collective Agreement was time limited, this has been written to provide an on-going framework for collective bargaining and engagement with Trade Unions. Reviews can take place as an when required and any future changes consulted upon as necessary.

3.3 Changes following Senior Manager Pay Review

- 3.3.1 The 2023 annual review of senior manager salaries took a long time to resolve because the process called into question the bespoke policy developed for the Council to manage their pay. In addition, the requirement to grade jobs based on a weighted average median market pay value is not generally recognised as a process suited to local government roles. Whilst the market-based approach is permitted under equal pay legislation, it is considered to be more appropriate in new or high growth industries. This approach also presents challenges every year to regularly access and analyse up to date benchmarking data to inform decisions.
- 3.3.2 A thorough benchmarking process was undertaken as part of the 2023 pay award to compare the Council's senior manager pay clusters to comparable roles in London Boroughs and Unitary Authorities. This was in line the 50/50 weighting model set out above. Whilst the analysis confirmed the approach taken of applying the median average pay increase for senior roles in local authorities had maintained pay at a level the policy originally intended, it demonstrated that there is questionable value in continuing with a market-based approach compared to an annually determined cost of living increase that takes into account the same issues of competition, inflation and affordability.
- 3.3.3 The benchmarking on the Council's 'normal' pay levels, based on a 50/50 weighting of medians pay for each role in London Boroughs and Unitary Authorities, demonstrated they were broadly comparable to those offered in other authorities. This means that overall, current levels of pay are competitive to attract and retain senior talent, are not excessive and are believed to fair value for taxpayers. Therefore, the review did not propose an increase in overall levels of pay to compete in the current market. The 50/50 weighting model will continue to be used as a reference when considering levels of pay.
- 3.3.4 The benchmarking of 11 other Unitary Authorities identified that whilst they each had different grades structures, they had fewer grades for each level of role. Most had only 1 or 2 grades for each level of senior manager role e.g. at SLT level and the tier below. They also tended to have a more consistent approach to how grades were designed.
- 3.3.5 The changes that are being implemented to senior pay from 1 April 2024 are:
- Adopting the Local Government Association Chief Officer Job Evaluation Scheme and as sector specific, factor based and equality proofed method to determine grades for senior management positions.
 - A 5 grade pay structure that reflects the different range of each senior position's portfolio;
 - Each grade consists of 6 points with incremental steps of 3% between them to allow for flexibility in determining salaries on appointment and pay progression; and,
 - Salaries for grades SM1 to SM4 increased annually on 1 April in line with the Joint National Committee (JNC) for Local Authority Chief Officers Cost of living pay awards. Grade SM5 is increased on the same date in line with the JNC for Local Authority Chief Executives.
- 3.3.6 The further consultation will take place with senior managers during 2024/25 on a new performance management framework for their roles. This will take place once the design of the Council's new Performance Management and Assessment Framework (PMAF) has been completed to ensure arrangements for the performance management and appraisal of individual senior managers is aligned with it. This will include both the design of a

performance management framework for senior managers and criteria required for pay progression.

4. Reasons for Recommendation

- 4.1 In order to comply with the Localism Act 2011, it is necessary for Full Council to approve a pay policy statement in advance of the financial year to which it applies that can be published on the Council's website.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Formal consultation to agree to changes detailed above has taken place with Trade Unions recognised by the Council.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 This report is a statement of existing policies and conditions of services for the Council's workforce and therefore does not have wider impacts.

7. Implications

7.1 Financial

Implications verified by: **Jo Freeman**
Head of Financial Management
6 March 2024

The Annual Pay Policy Statement for 2024/25 includes changes to apply the NJC pay award and the outcome of the review of senior manager pay.

The decision to apply the NJC pay award will not result in any higher increases than the Council's current method for increasing pay through an independent recommendation submitted for the budget process each year. This is because the current collective agreement with Trade Unions guarantees to match the cumulative value of NJC awards over the period of the agreement if they are higher.

The outcome of the senior pay review includes the application of JNC cost of living pay awards. The costs of which over time will be broadly the same as the current method for increasing pay based on an independent assessment of median pay each year. Other than one off adjustments to implement the outcome of the review, the cost of the new pay structure are no higher than the current arrangements.

The proposals mean that the Council will no longer be required to commission an independent assessment to recommend pay awards or determine grades for each senior post. These costs are approximately £4k per annum.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer
7th March 2024

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. Section 39(4) permits the Council to amend its policy by resolution, if required in-year.

The Council's consultation, including with individuals, where appropriate, and collective bargaining processes have been followed in order to implement the changes to the annual pay award and review of senior manager pay detailed in section 3 above. This minimises the grounds for any potential breach of contract and/or constructive unfair dismissal claims.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Team Manager – Community Development and Equalities
4 March 2023

Community and Equality Impact Assessments undertaken were undertaken for the changes detailed in section 3 of the report through the Pay and Reward Review and the Review of Senior Manager pay. No adverse impacts were identified.

7.4 Risks

Maintaining competitive pay and conditions helps to mitigate recruitment and retention risks.

Periodic reviews of arrangements for managing pay and reward contributes to reducing equal pay risks.

7.5 Other implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None identified.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Annual Pay Policy Statement 2022/23 - Full Council – 25 January 2023 – report available [here](#)
- Pay and Reward Review - General Services Committee – 27 June 2023 – report available [here](#)
- Revised Annual Pay Policy Statement 2023/24 – Full Council 27 September 2023 – report available [here](#)

- Revised Annual Pay Policy Statement 2023/24 – Full Council 29 November 2023 – report available [here](#)
- Senior Manager Pay Review - General Services Committee – 5 December 2023 – Exempt
- Pay and Reward Review - Options Analysis- General Services Committee – 5 December 2023 – Exempt
- Annual Pay Policy Statement 2024/25 – General Services Committee – 12 March 2024 – report available [here](#)
- Senior Manager Pay Review– General Services Committee – 12 March 2024 – report available [here](#)

9. Appendices to the report

- Appendix 1: Collective Agreement – 1 April 2024
- Appendix 2: Annual Pay Policy Statement 2024/25
- Appendix 3: Senior Manager Pay Scales
- Appendix 4: Officer Pay Scales
- Appendix 5: National Minimum and Living Wage Rates

Report Author:

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Pay and Reward Specialist

Corporate Services

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