EXECUTIVE SUMMARY

This report was commissioned following the Council meeting on 27 March 2013 which considered the annual Pay Policy Statement for 2013/14. The resolution requested that matters relating to the 1% pay increase for Single Status Agreement employees and the Council’s aim to work towards becoming a Local Living Wage (LLW) employer be deferred to a further Council meeting in order to consider both the rational and financial implications of both proposals.

1. RECOMMENDATIONS:

1.1 Agree a 1% pay increase for Single Status employees for 2013/14 backdated to 1 April 2013.

1.2 To note that should the National negotiated increase be higher, this would replace the 1% as set out in recommendation 1.1 and apply to Single Status Agreement employees.

1.3 Agree the implementation of the LLW (£7.48 per hour) for Council employees for 2013/14 effective from 1 April 2013.

1.4 Confirm no pay increase for Senior Managers for 2013/14.
2. INTRODUCTION AND BACKGROUND:

2.1 This report presents issues relating to a 1% pay increase for Single Status Agreement employees and the implementation of the LLW.

2.2 The implementation of the LLW was initiated by a Council motion in July 2012 and considered and supported by Corporate O&S in September 2012; the 1% pay increase was factored into the Council’s annual budget process for 2013/14. These two issues have therefore been presented to the Council for consideration.

2.3 Since the original consideration of the costs of implementing the Local Living Wage there have been a number of changes to the assumptions made. This report provides the Council with updated figures and assumptions.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

1% Pay Increase for Single Status Agreement employees

3.1 Pay negotiations are currently taking place nationally regarding pay increases for Local Government. Employers have put forward a proposal to negotiate a move away from some terms and conditions contained in the NJC in exchange for a pay increase of 1%. Trade unions have rejected this offer and expressed concerns that a 3 year freeze on pay has already had a detrimental effect on their members. As a result they have formally tabled their pay claim for ‘a substantial flat rate increase on all scale points as a step towards the longer term objective of restoring pay levels and achieving the living wage as the bottom NJC spinal column point’.

3.2 At present no decisions have been reached around a pay increase at national level, although the trade unions have alluded to national industrial action in the absence of a satisfactory agreement being achieved.

3.3 Thurrock Council’s annual pay increases could be determined by national negotiations by virtue of the Council’s Single Status Agreement. For example, if it is agreed nationally to implement a 1% pay increase, Thurrock Council would have to pay this as a minimum however there is flexibility to award a higher percentage. If it is agreed nationally to award an increase which exceeds 1%, we would be required to pay the higher amount.

3.4 The Single Status Agreement also requires Thurrock 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 2013/14 annual pay report recommended an increase of 1% in salaries for Single Status Agreement employees.

3.5 The pay increase has been reported throughout the last year as 1% which was included within the budget papers considered by Council on 27 February 2013. The budgeted cost for this element is estimated at £566,000, comprised
of £436,000 basic pay, £40,000 national insurance and £90,000 employer’s superannuation.

3.6 Appendix 1 provides an update of the Single Status Agreement pay scales incorporating the proposed 1% pay increase. The Council are therefore requested to approve the 1% pay increase for Single Status Agreement employees backdated to 1 April 2013.

**Senior Managers Annual Pay Review**

3.7 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. The results of the 2013/14 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 the Council are asked to endorse this.

**Local Living Wage**

3.8 This report proposes the implementation of the LLW. Nationally this is currently set at £7.45 per hour for this financial year. This is reviewed by central government on an annual basis. To achieve this in Thurrock, whilst maintaining the integrity of our current pay scales, we would pay all employees below spinal column point 7 a supplement. This will equate to a minimum annual salary of £14,437.95 and an an hourly rate of £7.48.

3.9 The supplement will be paid between spinal column points 1-6 (which falls between Bands 1 and part of Band 2; appendix 1 attached). This supplement will be reviewed on an annual basis to ensure that the Council has sufficient budget to meet the financial commitments of the annual increase.

3.10 Previous figures reported in the Council motion in July 2012 and the Overview and Scrutiny Report on 11 September 2012 for the projected costs for the implementation of the LLW were in the region of £12,000 for Council employees and £51,000 for school based employees, including on-costs.

3.11 There will be a difference in the current costs for the implementation of the LLW from the last projected figures since the earlier estimates were based on increases for employees on spinal column points 1-5. The LLW at this time was £7.20 per hour, but this has increased to £7.45 per hour following the annual review by central government. This increase in hourly rate has accounted for some variance in the figures as the rise in the LLW now brings in more spinal column points as explained below.

3.12 The increase of £0.25 from £7.20 to £7.45 per hour resulted in an additional cost of over £21,000 in addition to the figures previously projected. Table 2 (below) provides information on the inclusion of spinal column point based on changes in the LLW rate and the proposed 1% pay increase.
Table 2

<table>
<thead>
<tr>
<th>Spinal column points included</th>
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<tr>
<td>2012/13 figures based on LLW of £7.20</td>
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<tr>
<td>2013/14 figures based on LLW of £7.45</td>
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<tr>
<td>2013/14 figures based with proposed 1% increase</td>
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Implementing the LLW

3.13 There are currently 128.9 full time equivalents (FTE’s) on spinal column points 1-6 affected by the implementation of the LLW if applied after the proposed 1% pay increase (appendix 2 refers). This is made up on 44.6 corporate Council employees and 84.3 school-based employees on spinal column points 1-6.

3.14 If the proposed 1% pay increase is agreed, the total annual cost to implement the LLW would be £43,000 for Council employees, with a further cost of £91,000 to apply the LLW to school-based employees. Appendix 2 (attached) refers.

3.15 The figures outlined above are based on an implementation date of 1 April 2013 and employees eligible for the LLW would receive backdated payments to this effect.

3.16 Maintained school (non teaching) employee’s fall within Thurrock Council’s Single Status Agreement and although working in schools they still remains employee of the Council. Schools were advised in February 2013 to budget in line with the LLW which was proposed to be implemented on 1 April 2013. Therefore adequate financial provision has been made for this purpose.

3.17 If the Council agree the LLW, schools would be obliged to implement this by virtue of their inclusion in the Single Status Agreement. However, this should be feasible since financial provisions have already been accounted for in 2013/14 annual budget.

4. CONSULTATION WITH LOCAL TRADE UNIONS

4.1 Recognised trade unions have been consulted on the inclusion of the 1% pay increase and the implementation of the LLW. This was also specifically covered during consultations with local trade unions as part of the Council’s annual budget process. The proposal to implement the LLW was welcomed as a positive move in favour of their lowest paid members.
4.2 As a result, management have received no objections from local trade unions to the proposal of a 1% pay increase for Single Status Agreement employees or the implementation of the LLW.

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

5.1 The implementation of the LLW supports the Council’s Organisational Development Strategy which highlights our commitment to openness, trust and fairness to our community and partners as an employer.

6. IMPLICATIONS

Financial

Implications verified by: Sean Clark
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6.1 As the report states, £566,000 have been included within the 2013/14 and future budgets to meet a 1% pay increase.

6.2 There has been no specific budgetary increase for the LLW but the circa £43,000 Council cost will be funded through the provision for a senior management pay increase and vacant post savings within services whilst the circa £91,000 costs, covering 23 schools will be met from the Dedicated Schools Grant allocated to each school.

6.3 There had been a request at Council for calculations to be carried out on the financial impact on staff in terms of other benefits, tax credits, etc that they may receive. This is not possible due to the fact that benefits are calculated on the household income and so the impact on each recipient is likely to be different, if any at all.

Legal

Implications verified by: Chris Pickering
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chris.pickering@bdtlegal.org.uk

6.4 The decision to pay LLW to lower paid employees will also lead to an obligation to pay this to agency workers once they reach the 12 week threshold set out under the Agency Worker Regulations for parity of pay with permanent employees.

6.5 The 1% pay increase proposed reflects nationally negotiated and agreed increases and I note that there are no Union objections to this. There are no legal implications to senior managers not receiving a pay increase. The LLW increase proposed can be paid as a discretionary supplement to base pay that is periodically reviewed. As such, it will not become a contractual entitlement
unless it is automatically paid or the review is abandoned, at which point there could be an argument that the payment becomes contractual through practice. The 1% increase and LLW supplement will be pensionable and taxable.

**Diversity and Equality**

Implications verified by: Samson DeAlyn  
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6.6 The living wage can have a positive impact on the income of lower paid staff. The living wage differs from the minimum wage in that the minimum wage is set by law and is often below the levels of a living wage.

6.7 Currently the national minimum wage adult rate is £6.19 per hour with effect from 1 October 2012. This represents an increase of 1.8% from the 2011/2012 national minimum wage adult rate, which was £6.08 per hour (from 1 October 2011 to 30 September 2012). The national minimum wage "youth development rate" (for workers aged 18 to 20) is £4.98 per hour. The national minimum wage youth rate (for workers aged 16 and 17) remains at £3.68 per hour.

6.8 The impact of the LLW proposed in this report is therefore positive in equality terms as the LWW of £7.45 represents an uplift and will have a positive impact on our lowest paid council employees, in terms of providing a local measure to ensure our lowest paid staff receive remuneration that will enable a suitable basic standard of living.

7.0 **CONCLUSION**

7.1 Given the considerations raised throughout this report, Council are requested to agree a 1% pay increase for Single Status Agreement employees and the implementation of the LLW both with effect from 1st April 2013. This will require the payments to be backdated to 1 April 2013.

**APPENDICES TO THIS REPORT:**

- Appendix 1 – Pay scale for Single Status Agreement employees
- Appendix 2 – Breakdown of costs for implementation of LLW.

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