

REPORT TO CABINET

Open		Would any decisions proposed :			
Any especially affected Wards	Discretionary /	Be entirely within Cabinet's powers to decide	NO		
	Operational	Need to be recommendations to Council	YES		
		Is it a Key Decision	NO		
Lead Member: Leader E-mail: <i>Cllr.Terry.Parish@west-norfolk.gov.uk</i>		Other Cabinet Members consulted:			
		Other Members consulted:			
Lead Officer: Debbie Gates E-mail: <i>Debbie.Gates@west-norfolk.gov.uk</i> Direct Dial: 01553 616605		Other Officers consulted: Management Team Trade Unions			
Financial Implications YES	Policy/ Personnel Implications YES	Statutory Implications NO	Equal Impact Assessment YES If YES: Pre-screening	Risk Management Implications YES	Environmental Considerations NO
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)					

Date of meeting: 1st August 2023

PAY AWARD 2023/24

Summary

The Council's annual pay increase for all employees is locally determined, having regard to national pay and labour market information. This paper recommends the pay increase for 2023/24 and outlines the budget implications.

Recommendation

1. Members determine that:
 - a) An increase of £1925 or 5% (whichever is the greater) be applied to all salary points.
 - b) A flat rate non-consolidated cost-of-living payment of £750pa (pro rata for part time employees) to be paid to all permanent employees and temporary staff (with a contract specifying a duration of 12 months or more) who were in post on 1st April 2023. This payment to be paid in 12 monthly instalments with effect from April 2023.
 - c) The top points of all grades (not individual salaries) are increased by the maximum applicable percentage increase (10.38%) with effect from 1st October 2023. This will not have an immediate financial impact but will assist with future recruitment and retention.
2. Changes to annual leave and working hours are not implemented as part of the local Pay Award as any changes to terms and conditions that are negotiated nationally would continue to apply to our employees.

Reason for Decision

To implement an annual pay increase for employees that balances the requirement to make financial savings with the need to recruit and retain good quality employees.

1 Background

1.1 The Council's annual pay increase for all employees has been locally determined since 1991. The overall context for the 2023/24 Pay Award is inflation at levels described by the Bank of England as "too high". CPI levels reached 10% in July 2022 and remained at this figure or above until April 2023, when it fell to 8.7% and remained in May 2023. RPI peaked at 14.2% in October 2022 and reduced to 11.4% in April 2023 and 11.3% in May 2023. The Bank of England projects that CPI will fall to around 5% by the end of 2023 and meet the 2% target by late 2024.

1.2 Pay increases over the past 5 years are detailed below:

2018/19	2% and a minimum wage of £8.50 per hour
2019/20	2% and a minimum wage of £9.00 per hour
2020/21	2.5% and a minimum wage of £9.25 per hour
2021/22	2.5% and a minimum wage of £9.50 per hour
2022/23	£1925 or 4% and a minimum wage of £10.50 per hour

2 General Pay and Prices

2.1 The latest Retail Prices (RPI) figure for May 2023 reduced to 11.3% from 11.4% in April 2023. The Consumer Price Index (CPI) remained at 8.7% in May, having reduced to that figure in April from 10.1% in March 2023. Data for the previous 5 years is shown below:

	RPI (July)	CPI (July)
2022	12.3%	10.1%
2021	3.8%	2%
2020	1.6%	1%
2019	2.8%	2.1%
2018	3.2%	2.5%

2.2 The Office of National Statistics (June 2023) reports that average growth in pay (excluding bonuses) for the period February to April 2023 was 7.2%, which demonstrates the continuing gap between wage growth and price growth.

2.3 The National Living Wage increased to £10.42 per hour with effect from 1st April 2023. The Real Living Wage Foundation promotes a higher hourly rate to meet the everyday needs of workers. This is called the "Real Living Wage"

and is currently £10.90 per hour. The Council's lowest wage rate under these proposals would be £11.59.

3 National Negotiations

3.1 The National Pay Settlement for 2022/23 was an increase of £1925 or 3.88% on all pay points, which resulted in a minimum wage of £10.50 per hour from 1st April 2022, increased to £10.60 per hour from 1st April 2023.

3.2 The Trade Unions have submitted their pay claim for 2023/24, with the most significant elements outlined below:

- A pay increase of inflation (RPI) plus 2%
- Consideration of a flat rate increase to hourly rates of pay to bring the minimum rate up to £15.00 per hour within 2 years.
- An additional day of annual leave.
- A reduction in the working week to 35 hours.
- Introduction of a homeworking allowance.

The National Employers have responded to this claim by offering an increase of £1925 or 3.88% on all NJC pay points from the 1st April 2023, resulting in a minimum hourly rate of £11.59.

This offer has been rejected by the 3 main Local Government Unions and ballots for industrial action are currently taking place.

4 Other Public Sector Settlements

a. NHS Support Staff (settlement)

- A permanent 5% increase on all pay points
- A one off, non-consolidated cost-of-living payment starting at £1,655 and rising in value up the pay bands
- A lowest pay point of £11.45 per hour

b. Nurses (settlement)

- A permanent 5% increase on all pay points
- A one off, non-consolidated payment that starts at £1,891 and rising in value up the pay bands. This comprises an element equivalent to 2% of salaries and a backlog bonus.

c. Civil Service (offer)

- An average pay increase of 4.5%, with a further 0.5% at lower pay bands.
- A flat rate non-consolidated cost-of-living payment of £1,500.

d. Teaching Staff (offer)

- An average pay increase of 4.5%, with 7.1% for starting salaries.
- A flat rate non-consolidated cost-of-living payment of £1,000.

5 Proposal

- 5.1 The Authority has made budget provision for a 5% annual pay increase for all employees from the 1st April 2023, together with separate provision for increases in the minimum rate of pay. It is recognised that increases in both RPI and CPI over the past 18 months are resulting in significant cost of living pressures, which are being reflected in recent pay claims and awards across both the public and private sectors. Inflation over the 2 years from April 2021 to April 2023 totals 17.7% (CPI) and 22.5% (RPI), whereas the impact of last years' pay award combined with proposals for the current year range from 22% at the bottom of the pay scales falling to 9% for employees paid £48,000 or above, with 14.5 % for employees on the median salary. A non-consolidated lump sum payment made to all permanent and temporary staff in post on 1st April 2023, with a contract for at least 12 months would recognise the gap between wage and price growth experienced by employees over this period and, in particular, the differential impact of high food and energy inflation on the lowest paid employees. This would not result in permanent budgetary pressures for the duration of the current financial plan.
- 5.2 We continue to balance the requirement to make financial savings with the need to recruit and retain good quality employees and labour market pressures persist to make this more challenging across a range of professional, technical, specialist and managerial roles. The Council uses a range of approaches to respond to recruitment and retention challenges, including a proactive training and development programme, use of apprentices and progression schemes for professional roles. Hybrid and flexible working is also offered as appropriate to specific job roles, but the ability to offer competitive salaries is a critical response in a competitive labour market, particularly for roles where we recruit from outside the local area.
- 5.3 Experience from recent recruitment processes has highlighted an increasing need to both advertise and offer starting salaries which are significantly further through pay grades than was the case prior to the pandemic in order to secure applicants and to agree terms with successful candidates. This is particularly significant for specialist, professional and senior management roles, where increasing numbers of employees are now appointed within the top third of the grade. Benchmarking of technical, professional and managerial level roles advertised over the past year against comparable roles within other local authorities confirms that the lower third of our current pay grades at PG09 and above fall below the range offered by comparable employers.
- 5.4 The impact of flat rate pay awards erodes differentials between grades and action to increase the top of pay scales will offer the flexibility to review pay grade ranges to both facilitate retention of existing staff and ensure that salaries advertised during recruitment processes remain competitive.
- 5.5 It is therefore recommended that:
- An increase of £1925 or 5% (whichever is the greater) be applied to all salary points;

- A flat rate non-consolidated cost-of-living payment of £750pa (pro rata for part time employees) to be paid to all permanent employees and temporary staff (with a contract specifying a duration of 12 months or more) who were in post on 1st April 2023. This payment to be paid in 12 monthly instalments from April 2023.
- The top points of all grades (not individual salaries) are increased by the maximum applicable percentage increase (10.38%) with effect from 1st October 2023. This will not have an immediate financial impact but will assist with future recruitment and retention.

Please Note: These proposals will also be considered by the Alive West Norfolk Board on 20th July. Comments from the Board will be made available when the report is presented to Corporate Performance Panel (24th July) and Cabinet (1st August).

6 Trade Union Comments

Will be inserted after JEC Committee

7 Financial Implications

- 7.1 The proposal exceeds the current budget provision for 2023/24 (which allowed for 5% increase) with the estimated additional costs set out below:

Proposal	2023/24
£1925 or 5%	£360340
£750 flat rate payment	£454800
TOTAL	£815140

- 7.2 However, the council set aside £862k in earmarked reserves to allow for the pay award in 2022/23 which was able to be met from within turnover savings in year. Therefore, these reserves are available to support the proposal for 2023/24 with the financial impact from 2024/25 being incorporated into budgets through the upcoming budget setting process.

- 7.3 The current Medium Term Financial Plan estimates a budget gap in 2026/27. This is due to a number of uncertainties as set out in the Medium Term Financial Plan approved by Council in February 2023. The financial impact of the pay award on future years will need to be addressed as part of the proposals on closing the gap going forward.

- 7.3 This proposal also impacts on Alive West Norfolk where the costs are estimated to be as follows:

Proposal	2023/24
£1925 or 5%	£144592
£750 flat rate payment	£145605
TOTAL	£290197

- 7.4 It is anticipated that Alive West Norfolk will meet the cost of the pay award from within their own resources. However, due to the current cost of living impact on the economy, this may not be possible and it is too early in the year to confirm this. Therefore, it is recommended that funding is set aside from the underspend in 2022/23 as a contingency to support any shortfall if necessary. This is included in the separate outturn report to Cabinet on 1 August 2023.

8 Statutory Considerations

There are no statutory considerations, other than the requirement to pay the National Living Wage.

8 Equality Impact Assessment (EIA)

An Equality Impact Assessment pre-screening form has been completed and is attached to this report.

9 Risk Management Implications

- 8.1 As set out in Section 7 above, the recommendations can be met from within current reserves with a contingency proposed for Alive West Norfolk.
- 8.2 The recommendation incorporates a minimum hourly rate of £11.59, which exceeds the both the current National Living Wage and the “Real Living Wage”.
- 8.3 An alternative approach for the current year would be to delay implementation of our local pay award until the National Pay negotiations have concluded. This will significantly delay payments to staff, who are relying on the increased salary, with backdated payments to 1st April 2023) to help them cope with ongoing rises in the cost of living.

10 Declarations of Interest / Dispensations Granted

None.

11 Background Papers

None.

Pre-Screening Equality Impact Assessment

Borough Council of
King's Lynn & West Norfolk



Name of policy/service/function	2023 Pay Award
Is this a new or existing policy/service/function?	Existing
Brief summary/description of the main aims of the policy/service/function being screened. Please state if this policy/service is rigidly constrained by statutory obligations	The Council's annual pay increase for employees is locally determined, taking local, regional and national pay and labour market information in consideration. This report outlines the recommendations for a pay award for the 2023/24 year. The proposals reflect the Council's ongoing commitment to match the bottom point of local pay grades to the minimum national local government pay scales.

Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>	Positive	Negative	Neutral	Unsure	
	Age			√	
	Disability			√	
	Gender			√	
	Gender Re-assignment			√	
	Marriage/civil partnership			√	
	Pregnancy & maternity			√	
	Race			√	
	Religion or belief			√	
	Sexual orientation			√	
Other (low income)	√				

Question	Answer	Comments
<p>2. Is the proposed policy/service likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?</p>	No	
<p>3. Could this policy/service be perceived as impacting on communities differently?</p>	No	
<p>4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?</p>	Yes	<p>The Council recognises the difficulties faced by its lowest paid employees and introduced an organisational minimum wage in 2014, which has been updated annually. The proposals for the 2023 pay award include consideration of a decision made as part of the 2022/23 national local government pay settlement to delete the lowest point on the national pay scale wef 1/4/23. The impact of matching this revised bottom of the national pay scales has been factored into the proposals put forward for the 23/24 pay award to maintain our commitment to our lowest paid staff.</p>
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions?</p> <p>If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	Yes	<p>Actions: Impact is positive so further action is not required.</p> <hr/> <p>Actions agreed by EWG member: ...Becky Box.....</p>
<p>Assessment completed by:</p> <p>Name</p>	<p>Debbie Gates</p>	
<p>Job title</p>	<p>Executive Director</p>	
<p>Date</p>	<p>22nd June 2023</p>	

Please Note: If there are any positive or negative impacts identified in question 1, or there any 'yes' responses to questions 2 – 4 a full impact assessment will be required.