

HAMPSHIRE COUNTY COUNCIL REPORT

Committee/Panel:	Employment in Hampshire County Council
Date:	28 March 2018
Title:	Pay and Legislation Update
Report From:	Director of Corporate Resources

Contact name: Nichola Andreassen

Tel: 01962 847361

Email: nichola.andreassen@hants.gov.uk

1. **Recommendation:**

1.1 EHCC are asked to:

- note the application of the 2018 NJC national pay award to EHCC grades A to G, in accordance with the EHCC collective agreement;
- note the application of a temporary increase to step 1 of Grade A if the NJC pay award is not implemented in time for 1 April 2018;
- give authority to implement the 2018 NJC pay award to grades H to K, and those staff paid above grade K as long as it is in line with the current final offer of 2%. A pay award that is higher than this will need to be brought back to EHCC for agreement;
- note that it is not possible at this time to make a recommendation of the best option for managing the implications of the 2019 NJC pay award and the new NJC pay framework for the EHCC pay framework. The position will continue to be closely monitored with options being developed for agreement by EHCC;
- note the developments on the Gender Pay Gap report;
- note the developments in relation to Exit Payment amendments;
- further updates on the legislative changes will be provided only when further information is available.

2. **Executive Summary**

2.1 The purpose of this paper is to:

- i) Provide an update on the national pay award and proposals for a new pay framework for the National Joint Committee (NJC) for Local Government Services, and

- ii) Outline arrangements for the temporary increase to the EHCC pay framework to meet the National Living Wage (NLW) increase from 1 April 2018, should the 2018 pay award not be agreed in time for implementation in April 2018.
- iii) provide an update on recent and pending legislative changes and recommend that a further update be provided to EHCC when is available.

3. **Context**

- 3.1 A paper was submitted to the Committee in July 2017 which explained the possible impact of the National Living wage (NLW) and national pay award on the EHCC pay framework.
- 3.2 In July, the Committee gave it's authority to implement the 2018 pay increase as long as it is in line with NLW and 1%. A pay award that is higher than this will need to be brought back to EHCC for agreement.
- 3.3 In November, a further paper was submitted to this Committee providing an update on the national pay award and proposals for a new NJC pay framework for the NJC for Local Government Services.
- 3.4 The key points to note are that the:
- 3.5 EHCC pay framework is different to the national NJC pay framework, in terms of both grades and salaries.
- 3.6 EHCC agreement requires the national pay award (percentage or monetary amount) to be applied to EHCC grades of A to G inclusive. For grades H and above the salary ranges are reviewed by HCC in consultation with the Trade Unions.
- 3.7 The Medium Term Financial Strategy (MTFS) included provision for a 1% per annum national pay award and an element for the predicted impact of the NLW.

4. **Current position of NJC pay award**

- 4.1 On 5 December 2017 the National Employers made a 2 year final pay offer to the Trade Unions (TUs) side, covering the period 1 April 2018 to 31 March 2020 as detailed in **Appendix 1**.
- 4.2 The Unions will now hold consultative ballots of their members on the final pay offer. Unison and Unite are recommending rejection among their members. GMB are recommending that their members accept the final pay offer. The three Unions have co-ordinated their consultations to end in early March so that they can jointly announce the result in mid-March.
- 4.3 **The NJC pay offer:**
 - Year 1 (1 April 2018): staff on NJC scale points (SCPs) 20 and above will receive a 2% pay increase. Staff paid below SCP 20 will receive varying increases ranging from 3.7% to 9.2%. This will result in a new bottom rate of £8.50 per hour.

- Year 2 (1 April 2019): the lowest NJC SCP rate will increase to £9.00 per hour. This is to ensure that the bottom rate of the new NJC pay spine is not pegged to the NLW rate, allowing some headroom for future increases to the NLW. A new NJC pay framework will be created by 'pairing off' the existing bottom twelve pay points into six new pay points with an even increment of 2% between new SCP's 1 to 22. From SCP's 23 onwards, a flat-rate increase of 2% and retention of the current differentials will be applied.

5. **Current position of the NLW**

- 5.1 From 1 April 2018 the NLW will increase by 4.4% to £7.83 per hour, which equates to an annual salary of £15,106.44 per annum.
- 5.2 The Council has a statutory responsibility to ensure staff on the EHCC pay framework are paid at least the NLW.

6. **Action to be taken by HCC to meet NLW requirements from 1 April 2018**

- 6.1 Step 1 of Grade A is the only pay point on the 2017 EHCC pay framework which will fall below the new 2018 NLW rate, should the NJC pay award not be implemented in time for 1 April 2018.
- 6.2 If, as expected, the NJC pay award is not agreed in time for implementation in April 2018 the Council will need to ensure that all staff paid on the EHCC pay framework are paid at least the NLW of £7.83 per hour from 1 April. To meet this legal requirement an interim increase to £7.83 per hour, which equates to £15,106.44 per annum, will be applied to the base pay of staff on step 1 of Grade A, from 1 April 2018. This will affect approximately 380 staff.

7. **Future implementation of the NJC pay award**

- 7.1 A pay agreement will not be reached in time for an April 2018 implementation and dependant upon the final agreement this may require EHCC approval. Once agreed, the NJC pay award will be applied to HCC's 2017 pay scales, backdated to 1 April 2018. As a result of the NJC pay award being applied, the interim increase in pay for those members of staff referenced at 5.2 will be removed and the pay increase applied to their salary as at 31 March 2018 and, all staff will move onto the appropriate 2018 pay scales.

8. **Financial implications**

- 8.1 The MTFs included provision for a 1% per annum pay award (impact on cash limited budgets for each 1% increase is circa £2.5m) and an additional allowance rising to £5m by 2020 for the impact of the NLW on the directly employed workforce within cash limited services.
- 8.2 The two year pay offer, consisting of a 'core' increase of 2% for each of the next two years and changes to the lower pay scales to accommodate the impact of the NLW has been made by employers. The overall impact of this on cash limited service could equate to increases of around 3% each year for the next two years.

Depending on the final pay award that is agreed this could mean additional recurring costs of circa £5m need to be met.

- 8.3 As part of the budget setting process on 22 February County Council approved a council tax increase of 5.99% in 2018/19, reflecting the change in the referendum limits announced by the Government for 'core' council tax which for the County Council rose from 2% to 3%. This additional 1% increase, over and above the assumptions set out within the MTFs, will generate additional income of £5.7m in 2018/19 and has allowed provision to be made within contingencies to meet these forecast additional recurring costs.
- 8.4 The impact of the pay offer on other areas such as Trading Units and Schools will be greater due to the grade profile of the workforce. This was recognised previously and further work is underway to consider the potential financial implications.
- 8.5 The pay increases arising from the two year pay offer will help to address the widening pay disparity with the market, particularly at the lower levels, and help to redress the impact of the historic pay freezes on skills shortages and potentially Brexit. However, it must be noted that the resulting higher costs take place at a time of continued austerity when the Council still needs to deliver significant savings.

9. **Next Steps**

- 9.1 The Unions will now hold consultative ballots of their members on the final pay offer. Interim updates will be brought to EHCC as more information becomes available.
- 9.2 If the NJC pay award is not agreed in time for implementation in April 2018 a temporary increase to step 1 of grade will be applied to meet the NLW increase from 1 April 2018.
- 9.3 In view of the increased final pay offer EHCC are asked to approve the implementation of the 2018 NJC pay award to grades H to K, and those staff paid above grade K as long as it is in line with the current final offer of 2%. A pay award that is higher than this will need to be brought back to EHCC for agreement.
- 9.4 Once the final pay award has been agreed a recommendation of the best option for managing the implications of the new NJC pay framework for EHCC from 1 April 2019 will be brought to EHCC for consideration.
- 9.5 At the time of writing this paper, the known position is as described. If any further information is provided ahead of the meeting, then a verbal update will be provided.

10. **Employment Legislation Update**

10.1 **Mandatory Gender Pay Gap Reporting**

- 10.2 The project is on track to allow the County Council to meet its statutory obligations. The data will be published 29 March on the dedicated .gov website.

10.3 Exit Payment Cap, Exit Payment Recovery and Further Changes to Exit Payments

10.4 A Private Members Bill “The Public Sector Exit Payments (Limitation) Bill” is being considered by Parliament, with a second reading on 2 May 2018. There is no further update at the time of writing.

**CORPORATE OR LEGAL INFORMATION:
Links to the Strategic Plan**

These government proposals do not link to the Strategic Plan but potentially impact the County Council's workforce strategy.

Other Significant Links

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>
Update on proposed Government policy changes	11 November 2015
Update on Government proposed policy changes	9 March 2016
2016 National Pay Award and National Living Wage	9 March 2016
Pay and Policy Update	10 November 2016
Pay and Policy Update	14 March 2017
Pay, Policy and Legislation Update	12 July 2017
Pay Update	22 November 2017

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None.	

IMPACT ASSESSMENTS

1. Equality

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

It is not envisaged there will be any equalities impact, however as the LGA has not yet completed the review of their pay framework we are not yet able to fully determine the impact to the Council's pay framework.

2. Impact on Crime and Disorder:

2.1 Not applicable.

3. Climate Change:

(a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not applicable.

(b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.

National Employers for Local Government Services

To: **Chief Executives in England, Wales and N Ireland**
(additional copies for HR Director and Finance Director)
Members of the National Employers' Side
Regional Directors

5 December 2017

Dear Chief Executive,

LOCAL GOVERNMENT PAY 2018

I am writing to update you on the work we have been doing on your behalf on the local government national pay negotiations for 2018.

The National Employers have today made a final pay offer covering the period 1 April 2018 to 31 March 2020. A letter sent to the trade unions setting out the detailed offer is attached at **Annex A** and a copy of the Employers' press release is attached at **Annex B**.

The Pay Offer

1 April 2018 ('Year One'):

Bottom-Loading on SCPs 6-19 incl

The Employers considered it was necessary for higher increases on the lower pay points in order to continue to close the significant gap with the National Living Wage (NLW). Therefore this part of the offer would result in a new bottom rate of £8.50 per hour on SCP6

Increase on SCPs 20 and above

A flat-rate increase of 2.0%

This first year of the pay offer would increase the national paybill by 2.707%

1 April 2019 ('Year Two'):

The Employers agreed that the bottom rate of the new pay spine should not be pegged to the NLW rate but should allow for some 'headroom'. Therefore the offer is for a bottom rate of £9.00 per hour

In order to deal with the compacting of differentials at the lower end of the spine it is proposed that the existing bottom twelve pay points are 'paired off' into six new pay points, ie. current SCPs 6 & 7 become the new SCP1; current SCPs 8 & 9 become the new SCP2 etc until you reach current SCPs 16 & 17 which become the new SCP6

To further dilute the impact of compacting the lower pay points, the offer includes 'ironing out' the current random gaps between pay points and having even increments of 2.0% between new SCPs 1 to 22 incl (equivalent to SCPs 6 to 28 on the current spine). This portion of the pay spine covers approximately 60% of NJC employees

From new SCP23 onwards, a flat-rate increase of 2.0% and retention of the current random differentials

This second year of the pay offer would increase the national paybill by 2.802% The total increase to the national paybill over the two-year period would be 5.584%

Background

This pay offer is much more complex than any offer since the Single Status agreement in the mid-1990s, so I want to set out in detail the reasons behind it.

The introduction of the National Living Wage (NLW) was announced by George Osborne in his July 2015 Budget. He indicated that its target level was to reach 60% of median hourly earnings by 2020. At the time of the announcement, the forecast for 2020 was £9.35 per hour and in his speech Mr Osborne referred to it being "at least £9.00", although the most recent (November 2017) Office of Budgetary Responsibility forecast was £8.56.

At the time of the Chancellor's statement in 2015 the minimum hourly rate on the 'Green Book' pay spine was £7.00. That meant that it would have to increase by approximately £2.00 in five years if the initial 'target' for the NLW in 2020 of £9.00 was to be reached. By way of context, the increase in the bottom rate from £5.00 to £7.00 had taken thirteen years to achieve (2002-15).

The current two-year pay agreement covering 1 April 2016 to 31 March 2018, made some headway in bridging that gap and introduced minimum hourly rates of £7.52 (1 April 2016) and £7.78 (1 April 2017). This agreement included some further bottom-loading in each of the two years to assist in maintaining differentials and then annual pay awards of 1.0% further up the pay spine. This two-year deal added 2.40% to the national pay bill. The two-year increase for the lowest pay point was 10.28%. These rates provided some headroom in relation the NLW which was £7.20 (1 April 2016) and £7.50 (1 April 2017). The 1 April 2018 rate announced in the Budget is £7.83.

The 2016-18 pay deal included a commitment for the NJC to review its pay spine. To support the development of an employers' position, a sounding board of about a dozen officers from councils across the country was established. This included a balance in terms of: types of council; geography; those paying / not paying the voluntary living wage; and it also included councils that have local pay bargaining and representation from the regional employers' organisations.

The NJC set up a pay spine review working group to look at what could be done from a technical point of view. It was not a negotiating group and on the Employers' Side included three or four members of our sounding board.

The working group initially agreed to concentrate on potential models that covered one, two and three year options. A one-year settlement assimilating on to a new pay spine in 2018 could not realistically be implemented by councils in the time available. It would also be too costly if it were to start at a level that could ensure compliance with the likely levels of the NLW in 2019 and 2020, without further significant changes to its structure. A three-year settlement, whilst potentially attractive to councils from a financial planning aspect, would involve too much second-guessing of the broader economic position in 2020 and would be much more difficult for the unions to sell to their members.

All the work highlighted above was undertaken in the context of the Government's public sector pay policy remaining at 1.0% until 2020.

The unions' claim was lodged in mid-June. It was for one year and sought a 5.0% increase on all NJC pay points, plus the deletion of the bottom four NJC pay points. The unions made clear in private conversations that in the current climate it would not be possible for them to agree any offer that included 1.0% as the headline rate.

Regional pay consultation briefings took place between late June and August. There was widespread recognition that the work on the pay spine was a necessity as a result of the introduction of the NLW. It was also recognised that this could not be delivered within 1.0% increases to the overall pay bill and there was no suggestion that the additional costs be funded through providing for increases of less than 1.0% for better paid employees.

There was broad consensus on the need to have some 'headroom' from the statutory minimum NLW rate and for a two-year agreement. It was recognised that achieving a collective agreement with 1.0% as the headline rate would be nearly impossible. It was acknowledged that any agreement was likely to add between 4.5%-6.0% to the national pay bill over two years. It was also recognised that costs locally could vary significantly from this depending on a council's workforce profile and that it would have a significant impact on schools' budgets.

The political deliberations over the past few months have been difficult and while there was broad political consensus on issues such as the length of any deal, the need for headroom from the NLW and the need to reconfigure the lower end of the pay spine, this was not the case regarding the headline rate within a potential offer, which meant that in the end the only way to make a decision was to hold a vote in a meeting of the Employers' Side of the National Joint Council, which is the body that is ultimately responsible for these decisions. This is only the second vote on a pay offer since 1997 when the Local Government Services NJC was established.

Therefore whilst the decision to make a headline offer of 2.0% was not reached through consensus, it was achieved in line with the clear voting arrangements set out in the Employers' Side Constitution.

For colleagues in London Boroughs, you will be aware that there are separate pay spines for inner and outer London and in normal circumstances the nationally agreed percentage increases would be applied to the London pay points. However, given the proposed significant changes to the national pay spine, discussions are currently taking

place between London employers and trade unions and further updates will be issued by them in due course.

Finally, there has been a huge amount of technical work involving many colleagues from councils and Regional Employer Organisations from across England, Wales and Northern Ireland that has brought us to this point and we would like to thank them for the advice and assistance that they have provided to the national Secretariat.

Yours sincerely,

Simon Pannell

Simon Pannell
Employers' Secretary

**Heather Wakefield, Rehana Azam, Jim Kennedy Trade Union
Side Secretaries**

**NJC for Local Government Services c/o
UNISON Centre**

**130 Euston Road London
NW1 2AY**

5 December 2017

Dear Heather, Rehana and Jim,

LOCAL GOVERNMENT PAY 2018

I am writing on behalf of the Employers' Side of the NJC to respond formally to the Trade Union Side's pay claim.

The National Employers wish to make the following final offer:

From 1 April 2018:

- On SCP 6, £1,380 (equivalent to 9.191%)
- On SCP 7, £1,380 (equivalent to 9.130%)
- On SCP 8, £1,380 (equivalent to 9.052%)
- On SCP 9, £1,380 (equivalent to 8.976%)
- On SCP 10, £1,250 (equivalent to 8.006%)
- On SCP 11, £1,200 (equivalent to 7.592%)
- On SCP 12, £1,050 (equivalent to 6.512%)
- On SCP 13, £900 (equivalent to 5.458%)
- On SCP 14, £900 (equivalent to 5.363%)
- On SCP 15, £900 (equivalent to 5.272%)
- On SCP 16, £900 (equivalent to 5.167%)
- On SCP 17, £900 (equivalent to 5.064%)
- On SCP 18, £800 (equivalent to 4.427%)
- On SCP 19, £700 (equivalent to 3.734%)
- On SCPs 20 and above, 2.0%

The Employers acknowledge the constructive way in which the NJC Pay Spine Review Group has worked together over the past eighteen months and therefore propose that a revised pay spine be introduced with effect from **1 April 2019**. The Employers' detailed offer in regard to this is attached as **Annex 1**.

The proposed 2019 pay spine is based on the following:

- A bottom rate of £9.00 per hour (£17,364) on new SCP1 (equivalent to old SCP6)
- 'Pairing off' old SCPs 6-17 incl to create new SCPs 1-6 incl
- Equal steps of 2.0% between each new SCPs 1 to 21 incl (equivalent to old SCPs 6-28 incl)
- By creating equal steps between these pay points new SCPs 10, 13, 16, 18 and 21 are generated to which no old SCPs would assimilate. This would mean that in some organisations the current number of pay points in a grade would change. The Employers therefore suggest that we work together to consider appropriate advice as such issues arise
- On new SCPs 23 and above (equivalent to old SCPs 29 and above), 2.0%

We hope that you will now put this offer to your members for consultation and understand that you will be considering this over the next few days.

Yours sincerely,

Simon Pannell

Simon Pannell
Employers' Secretary

Appendix 1 - NJC Final Pay Offer 2018-2020

ANNEX 1

1 April 2018			1 April 2019			
SCP	£ per annum	£ per hour*	New SCP	£ per annum	£ per hour*	Old SCP[s]
6	£16,394	£8.50	1	£17,364	£9.00	6/7
7	£16,495	£8.55				
8	£16,626	£8.62	2	£17,711	£9.18	8/9
9	£16,755	£8.68				
10	£16,863	£8.74	3	£18,065	£9.36	10/11
11	£17,007	£8.82				
12	£17,173	£8.90	4	£18,426	£9.55	12/13
13	£17,391	£9.01				
14	£17,681	£9.16	5	£18,795	£9.74	14/15
15	£17,972	£9.32				
16	£18,319	£9.50	6	£19,171	£9.94	16/17
17	£18,672	£9.68				
18	£18,870	£9.78	7	£19,554	£10.14	18
19	£19,446	£10.08	8	£19,945	£10.34	19
20	£19,819	£10.27	9	£20,344	£10.54	20
			10	£20,751	£10.76	
21	£20,541	£10.65	11	£21,166	£10.97	21
22	£21,074	£10.92	12	£21,589	£11.19	22
			13	£22,021	£11.41	
23	£21,693	£11.24	14	£22,462	£11.64	23
24	£22,401	£11.61	15	£22,911	£11.88	24
			16	£23,369	£12.11	
25	£23,111	£11.98	17	£23,836	£12.35	25
			18	£24,313	£12.60	
26	£23,866	£12.37	19	£24,799	£12.85	26
27	£24,657	£12.78	20	£25,295	£13.11	27
			21	£25,801	£13.37	
28	£25,463	£13.20	22	£26,317	£13.64	28
29	£26,470	£13.72	23	£26,999	£13.99	29
30	£27,358	£14.18	24	£27,905	£14.46	30
31	£28,221	£14.63	25	£28,785	£14.92	31
32	£29,055	£15.06	26	£29,636	£15.36	32
33	£29,909	£15.50	27	£30,507	£15.81	33
34	£30,756	£15.94	28	£31,371	£16.26	34

Appendix 1 - NJC Final Pay Offer 2018-2020

35	£31,401	£16.28	29	£32,029	£16.60	35
36	£32,233	£16.71	30	£32,878	£17.04	36
37	£33,136	£17.18	31	£33,799	£17.52	37
38	£34,106	£17.68	32	£34,788	£18.03	38
39	£35,229	£18.26	33	£35,934	£18.63	39
40	£36,153	£18.74	34	£36,876	£19.11	40
41	£37,107	£19.23	35	£37,849	£19.62	41
42	£38,052	£19.72	36	£38,813	£20.12	42
43	£39,002	£20.22	37	£39,782	£20.62	43
44	£39,961	£20.71	38	£40,760	£21.13	44
45	£40,858	£21.18	39	£41,675	£21.60	45
46	£41,846	£21.69	40	£42,683	£22.12	46
47	£42,806	£22.19	41	£43,662	£22.63	47
48	£43,757	£22.68	42	£44,632	£23.13	48
49	£44,697	£23.17	43	£45,591	£23.63	49

*hourly rate calculated by dividing annual salary by 52.143 weeks (which is 365 days divided by 7) and then divided by 37 hours (the standard working week in the National Agreement 'Green Book')

ANNEX B

PRESS RELEASE: 5 DECEMBER 2017

Council employees' pay offer announced

Council employees have been offered a two-year pay increase from 1 April 2018. The majority of employees - those on salaries starting at £19,430 per annum - would receive an uplift of 2 per cent on 1 April 2018 and a further 2 per cent on 1 April 2019, with those on lower salaries receiving higher increases.

The offer also includes the introduction of a new national pay spine on 1 April 2019.

The National Employers, who negotiate pay on behalf of 350 local authorities in England, Wales and Northern Ireland, made the offer to unions today. It will affect over 1 million employees.

Notes to editors

The total increase to the national paybill resulting from this offer is 5.6% over two years (covering the period 1 April 2018 to 31 March 2020).

This pay offer does not apply to council chief executives, senior officers, teachers or firefighters, who are covered by separate national pay arrangements.

The National Joint Council negotiates the pay, terms and conditions of staff in local authorities. It agrees an annual uplift to the national pay spine, on which each individual council decides where to place its employees. Each council takes into account a number of factors such as job size and local labour market conditions when deciding an employee's salary. There are no nationally determined jobs or pay grades in local government, unlike in other parts of the public sector.