

# London Borough of Bromley

Report No.HR14003

PART I – PUBLIC

Agenda Item No.:

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**Decision Maker:** General Purposes & Licensing

**Date:** 10<sup>th</sup> February 2015

**Decision Type:** Non-Urgent                      Non-Executive                      Non-Key

**TITLE:** 2015/16 PAY AWARD

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**Chief Officer:** Director of Human Resources

**Ward:** N/A

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## 1. REASON FOR REPORT

- 1.1 Under the local terms and conditions of employment framework, the General Purposes & Licensing Committee (GP&L) is required to make a recommendation on pay awards to full Council.
- 1.2 Pursuant to the local framework, the annual pay award review is now part of the Council's budget planning process. This requirement is a key driver for coming out of the national/regional pay negotiating frameworks.

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## 2. RECOMMENDATION(S)

- 2.1 **Members are asked to recommend that full Council approve a flat 1.2% pay increase for all staff (excluding teachers who are covered by a separate statutory pay negotiating process).**
- 2.2 **Pursuant to 2.1 above, Members note that the pay increase is again higher than the average pay settlement for local government staff negotiated at the national/regional levels between the Unions and Local Government employers.**
- 2.3 **Members also note that, as in the last two years since coming out of the nationally/regionally negotiated frameworks, Bromley staff will receive the 2015/16 pay increase in time for the April pay.**
- 2.4 **Members reject the Unions' pay claims for:**
  - i) a flat rate £1 an hour increase for all staff;
  - ii) a minimum wage figure of £10 per hour.

### Corporate Policy

1. Policy Status: Existing Policy
  2. BBB Priority: Excellent Council
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### Financial

1. Cost of proposal: Estimated Cost – Approximately £900K
  2. On-going costs: Within existing budget
  3. Budget Head/Performance Centre:
  4. Total current budget for this Head:
  5. Source of Funding:
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### Staff

1. Number of staff (current and additional): All Council staff, except teachers.
  2. If from existing staff resources, number of staff hours:
- 

### Legal

- 1) Legal Requirement: Non-Statutory Requirement
  - 2) Call In: Call in is not applicable
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### Customer Impact

1. Estimated number of users/beneficiaries (current and projected)
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### Ward Councillor Views

- 1) Have Ward Councillors been asked for comments: N/A
- 2) Summary of Ward Councillors comments:

### 3. COMMENTARY

- 3.1 The Council formally adopted a local terms and conditions of employment framework for its staff, except teachers, on 12<sup>th</sup> November 2012. The key elements of the localised arrangements are as follows:
- Locally determined annual pay award for all staff, except teachers, aligned with the annual budget setting process;
  - Merited reward (non-consolidated/non-pensionable) for exceptional performers;
  - Any pay increases, including increments and pay awards linked to satisfactory performance for all staff, not automatic.
- 3.2 The Council faces a significant budget gap, circa £53.3m per annum by 2018/19, including circa £10m next year. The Council's approach to this pressure and the challenges and opportunities it faces to balance the book is comprehensively addressed in the report on the "draft 2016/16 budget and up-date on Council's financial strategy 2016/17 to 2018/19" presented to the Executive on 14<sup>th</sup> January 2015 ([http://cdslbb/documents/s50026315/Exec%20140115%20Draft%202015-16%20Budget.pdf?\\$LO\\$=1](http://cdslbb/documents/s50026315/Exec%20140115%20Draft%202015-16%20Budget.pdf?$LO$=1)).
- 3.3 Against this background, the Council, following the draft budget discussion by the Executive on 14<sup>th</sup> January 2015, proposed a flat 1.2% pay award increase for all staff, except teachers, for staff and Trade Union consultations. The proposal was communicated by the Chief Executive to all staff on 15<sup>th</sup> January 2015 and the Unions, including Unison, GMB and Unite branch and regional officers were also advised on the same day.
- 3.4 On their part, the three Unions, namely Unison, GMB and United, submitted a joint pay claim on 7<sup>th</sup> January 2015. The Unions' claim stated, *inter alia*, as follows:
- "i) In order to address the continued fall in living standards where our members have had below inflation increase for 12 consecutive years; whilst at the same time as their housing, travel, gas, electric/water and food costs have continued to rise above the rate of inflation, we are seeking a flat rate £1 an hour increase for all members.
- ii) in light of the fact that the cost of living crisis has its greatest impact on low paid workers for whom percentage pay increase are a disadvantage, we are seeking for the implementation of the TUC minimum wage figure of £10 per hour."
- 3.5 Not surprisingly, the Unions have rejected the Council's 1.2% pay increase for 2015/16. Unlike the Unions, staff perspective on the Council's pay aware proposal is measured and appreciative of the challenging financial context, especially given the deep cost cutting exercises affecting every service, including frontline and community based services in the borough.
- 3.6 Hence, management side, led by the Director of Human Resources, has rejected the Unions' pay claim as unrealistic and completely divorced from the unprecedented

financial challenges facing the Council between now and the next few years, requiring circa £53.3m savings by 2018/19.

3.7 The Unions' flat rate £1 an hour claim is also completely at odds with the settlement they agreed with the Local Government employers, averaging 1% for local government staff for 2014/15 and 2015.16 financial years. The Unions' claim will cost the Council circa £5m compared to circa £900K for the Council's 1.2% pay award increase. Additionally, the impact of increasing all staff (based on December 2014 payroll) that currently are below spinal point 16 (£18,822 per annum) so they are paid a minimum wage of £10 per hour amounts to circa £210K per annum.

3.8 How does the Council's 2015/16 pay award increase offer compare?

i) as before, the offer if agreed by full Council represents a higher settlement for Bromley staff, compared to the average 1% pay settlement for local government recently agreed by the Unions and the local government employers.

It also means that, for the third consecutive year, Bromley settlement is both higher and paid in time in April, unlike the lower and protracted settlements at the national/regional levels. Last year Bromley staff, except for Management grade staff (circa 190 staff), received either a 1.7% or 1.2% pay increase depending on an earning level of less or more than £21K respectively.

ii) inflation rate is at a record low at 0.5% as per December 2014. Public sector pay 2014/15 shows that the government has maintained tight control over pay, with pay settlements restricted to an average of 1% in most cases. Pay freezes amount for one pay settlement in ten of the bargaining groups in the public sector but almost four in ten employees are affected because several large groups have seen no pay increase in 2014 (source: XPert HR). As reported last year, the government has continued to work on removing automatic pay progression in the civil service and groups covered by the public sector pay review bodies. As also reported last year, the Scottish government agreed a two-year 1% pay award covering 2014/15 and 2015/16. Pay settlement in the private sector is not significantly dissimilar. A recent preview of the three months to the end of January 2015 by XPert HR suggests that the pay award pattern is likely to remain unchanged in 2015, despite the encouraging economic activities in the UK.

3.9 In light of the above information, Bromley pay award offer 2015/16 is fair and reasonable. It compares favourably with pay settlements, both in the public and private sectors and the former in particular. The Council will continue to respond positively and flexibly to the labour markets regarding critical skills and hard to recruit and retain posts, in particular by offering enhanced packages if appropriate.

#### **4. POLICY IMPLICATIONS**

4.1 As stated in paragraph 3.1 above, the annual pay award review is one of the key drivers for adopting the localised terms and conditions of employment framework for staff, except teachers. It enables the Council to set its own pay award free from

nationally/regionally negotiated arrangements, usually divorced from local pressures and circumstances.

- 4.2 Aligning the pay review process with the budget setting process means that the cost of the pay increase is not viewed in isolation from the other significant cost pressures impacting on the Council's overall budget

## 5. FINANCIAL IMPLICATIONS

- 5.1 The proposal from the Unions to pay a minimum wage of £10 per hour, so effectively review the pay of all staff currently below scale point 16, will cost the Council around £210k p.a. including overheads.

An increase of £1 per hour for all staffing working in the Council will add approximately £5m p.a. to our staffing budgets. This is at a time when the Council is facing a period of unprecedented reduction in public funding and over the next few years will need to identify savings in the region of £60m to balance the revenue budget.

## 6. LEGAL IMPLICATIONS

- 6.1 As set out in the report, there are no specific implications, including equal pay arising from adopting a flat 1.2% pay for all.

## 7. PERSONNEL IMPLICATIONS

- 7.1 As set out in the report.

<b>Non-Applicable Sections:</b>	
Background Documents: (Access via Contact Officer)	