

# 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 2016

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

**TITLE:** 2016/17 PAY AWARD

**Contact Officer:** Charles Obazuaye, Director of Human Resources  
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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 proposed 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 three years since coming out of the nationally/regionally negotiated frameworks, Bromley staff will receive the 2016/17 pay increase in time for the April pay.**
- 2.4 **Members reject the Unions' pay claims for:**
  - i) **Deletion of all local pay points which fall below the London Living Wage (Currently £9.40ph)**

- ii) **A flat rate increase of £1 an hour on all other pay points**
- iii) **Guarantee no negative changes to terms and conditions**
- iv) **Members agree to participate in a national joint review of term time working of school staff for those schools where the Local Authority has statutory employment responsibilities**

Corporate Policy

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

- 1. Cost of proposal: Estimated Cost – Approximately £840K
  - 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:
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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 continuing significant budget gap over the next four years. 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 2016/17 budget and up-date on Council's financial strategy 2017/18 to 2019/20" presented to the Executive on 13<sup>th</sup> January 2016 (<http://cds.bromley.gov.uk/documents/s50035624/Exec%20130116%20Draft%20Budget%20Report.pdf>)

3.3 Against this background, the Council 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 13<sup>th</sup> January 2016 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 Unite, submitted a joint pay claim on 17 November 2015. The Unions' claim stated, *inter alia*, as follows:

**i) Deletion of all local pay points which fall below the London Living Wage (Currently £9.40ph)**

**ii) A flat rate increase of £1 an hour on all other pay points**

**iii) Guarantee no negative changes to terms and conditions**

**iv) Fair treatment of school staff through a joint review of term time working**

3.5 Feedback has still to be received from the Unions on the proposed pay increase and it is hopeful that this will be received in time for a verbal update to be provided at the meeting. Given the deep cost cutting exercises affecting every service, including frontline and community based services in the borough; staff would understand the challenging financial climate in which the Council is operating. To date there has been no negative feedback from staff.

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.

3.7 The Unions' claim will cost the Council circa £4m compared to circa £840K for the Council's 1.2% pay award increase. Whilst there are no immediate plans to change terms and conditions this cannot be guaranteed given the current financial context within which the Council operates. With regards to the element of the pay claim relating to the proposed deletion of all local pay points which fall below the London Living wage (Currently £9.40ph) the Council has already made clear previously that it does not intend to implement the London Living Wage. The Council will monitor the outcome of any national review but will not be bound by it pursuant to the local terms and conditions of employment framework agreed by Full Council in 2012.

3.8 How does the Council's 2016/17 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 proposed 2 year pay settlement for local government of a 1% pay increase for 1 April 2016 and a 1% pay increase for 1 April 2017. (It should be noted that this is the final offer made by the Employer side which has been rejected by two of the Trade Unions Unison and Unite and is currently subject to a ballot which could give rise to industrial action).

It also means that, for the fourth consecutive year, the 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, received a 1.2% pay award across the board.

- ii) inflation rate is at a record low at 0.2% as per December 2015. Public sector pay 2015/16 shows that the government has maintained tight control over pay, with pay settlements ranging from 1% to 2% with 1.5% being the median (based on 92 public sector organisations) and slightly higher compared with 1.2% over 2014 but lower than the 2% recorded for the private sector over both 2014 and 2015 (Source: Xpert HR). Xpert HR has collected the details of 67 pay awards effective during the month of January 2016, the majority (64) of which are across-the-board deals. Of these basic settlements, the median pay award is 2%. The range of pay awards is wide, with the lower quartile at 1.1% and the upper quartile at 2.8%. There are 11 pay freezes in the sample, around one in six of all January deals collected. This is a higher proportion than has been seen in the recent pattern of pay awards, although it can be the case that pay freezes are decided more quickly than pay increases so may shrink to a lower proportion of awards as more deals are added. The survey also reveals that there are pay freezes in the private sector affecting a number of skilled/professional staff

3.9 In light of the above information, Bromley pay award offer 2016/17 is fair and reasonable. It compares favourably with pay settlements, both in the public and

private sectors and the former in particular. It also takes into account the key factor regarding the Council's affordability. Bromley has the lowest settlement funding per head of population in the whole of London. Following the Chancellor's 2015 Spending Review and Statement it is clear that the continuation of the period of austerity up to 2020 remains and cuts in direct funding to local government are set to continue over the four year spending review period. The most significant issue that will impact on local government funding from central government are the plans relating to DCLG Resource Departmental Expenditure Limits (RDEL). This translates to a reduction in the Council's Settlement of 48.5% by 19/20. In real terms the reduction equates to 52.2%. Any pay award has to be considered therefore in line with the overall financial strategy of the Council which is set in the context of the national state of public finances and the high expectation from Government that services should be reformed and redesigned with devolution contributing to the transformation of local government.

The Council is therefore operating in an economic climate of national financial uncertainty whilst having to face enormous pressures to deliver services where demand for growth is high particularly in relation to care services to vulnerable children and adults. This is also set against the backdrop of global financial uncertainty.

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 flat rate increase of £1 per hour, will cost the Council around £4m p.a. including overheads. This is at a time when the Council is facing a continuing period of unprecedented reduction in public funding and over the next few years significant savings are still required.

#### **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)	