

HAMPSHIRE COUNTY COUNCIL REPORT

Committee/Panel:	Employment in Hampshire County Council
Date:	22 November 2017
Title:	Pay Update
Report From:	Director of Corporate Resources

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1. **Executive Summary**

The purpose of this paper is to:

- i) Provide an update on the national pay award for the National Joint Committee (NJC) for local Government Services, the Local Government Association (LGA) proposals for a new NJC pay framework and the possible impact on EHCCs pay framework.

2. **Context**

- 2.1 A paper was submitted to the Committee in July which explained the possible impact of the National Living wage (NLW) and national pay bargaining on the EHCC pay framework.
- 2.2 The key points to remind the committee of are that the:
- 2.3 EHCC pay framework is different to the national NJC pay framework, in terms of both grades and salaries.
- 2.4 EHCC agreement requires the national pay award (percentage or monetary amount) to be applied to EHCC grades of A to G inclusive. In previous years, this has been straight forward to do when a single percentage uplift was agreed across the whole NJC pay framework which could then be applied to Hampshire's EHCC pay framework. The implementation of the NLW has resulted in different percentage increases (sometimes agreed as a fixed monetary amount) being applied to the lower end of the NJC pay framework. This has made applying the national pay award more complicated as it has required HCC to determine how to translate the increases to the lower pay points in the NJC pay framework onto the EHCC pay framework when those points are not the same and therefore it is not a straight read across.

2.5 The Medium Term Financial Strategy (MTFS) includes provision for a 1% per annum national pay award and an element for the predicted impact of the NLW.

3. **Current position of NJC pay framework**

3.1 The latest information provided by the LGA regarding the national pay award and pay framework are detailed below:

3.2 **National Pay Award:**

3.3 Trade Unions (TUs) have submitted a formal pay demand of 5% for 2018 which is consistent with other public sector union pay demands. In addition, they have asked that no NJC pay points fall below the Foundation Living Wage rate of £8.45; the lowest pay point on the EHCC pay framework is currently £7.78 per hour. Based upon analysis by the LGA it is estimated that the total cost of the pay demand would be circa £559.2m across local government. For the County Council the cost would be in the region of £12.5m which would far exceed the amount that has been provided in the MTFS.

3.4 Given that the NLW is addressing lower pay scales, the TUs are increasingly focussed on salaries at the middle of the pay framework and are wishing to maintain pay differentials between pay steps.

3.5 The Office for Budget Responsibility (OBR) has forecast the NLW to be £8.75 in 2020 and £9.10 by 2021, however forecasts are variable and the Labour Party's policy is to introduce a £10 NLW in 2020.

3.6 Whilst there are no specific deadlines the LGA indicated that they are working towards making a pay offer in either Dec 17 / Jan 18.

3.7 In September 2017, the Government confirmed police and prison officers' pay awards for 2017/18. The outcome being that Police Officers will receive an increase from 1 September 2017, which consists of an additional 1% non-consolidated pay award for 2017/18 and a 1% increase in their basic pay. The recommendations of the Prison Service Pay Review Body were accepted in full, giving staff in prisons a pay increase of 1.7% on average. For schools and centrally employed teachers, a pay award of 2% on the main pay range and 1% on all other ranges, including allowances, was agreed in September/October to be effective from 1 September 2017.

3.8 There are a number of variables still in play that will inform the outcome of negotiations over both the national pay award and the new NJC pay framework, these include:

- the government's national pay policy and the pay cap
- inflation rates – currently running at 2.6% (July published data),

- the new NLW rate for 2018
- the outcome of the November spending review.

3.9 **New NJC pay framework:**

- 3.10 As part of the last pay deal (2016 and 2017) the LGA and TUs committed to undertake a technical review of the NJC pay spine. The intention is to negotiate a move to a new NJC pay framework in March 2019 as part of a negotiated 2 year pay deal. If possible the LGA is seeking to achieve a negotiated pay settlement and avoid the risk of a dispute with local authority TUs because of the disruption and damage to services. There would then be an interim increase for April 2018 based upon the existing framework and a move to a new NJC pay framework in 2019.
- 3.11 The LGA confirmed that they had been working with TU representatives to undertake a technical review of the NJC pay framework, which included the principle of maintaining the integrity of the gaps between each of the pay points.
- 3.12 The national modelling undertaken indicates a 4% to 6% cost increase over 2 years. This would equate to 5% to 7% in schools because of the grade profile of non-teaching staff in schools. It should be noted that this modelling was set in the context of continuing public sector pay restraint and a 1% pay cap and so any change to this would increase costs further.
- 3.13 The LGA have not yet provided a copy of any draft pay spine, however they indicated that the NJC pay framework would be extended upwards by creating advisory pay points to include roles which are currently not covered by the NJC pay spine (which currently goes to spinal point 49 and which relates to the top of EHCC grade G).
- 3.14 The requirement for time served increases (annual incremental progression) was removed in 1997. There is no intention to reintroduce the requirement for these in any new pay spine, nor is there any intention of undertaking a review of other terms and conditions of employment as part of this pay review. Local Authorities already have the ability to negotiate variations to other terms locally and a view was expressed that there was little value or cost benefit in doing so.
- 3.15 It is envisaged that the new NJC pay framework may only be in place for the next 5 to 7 years.

4. **Implications for EHCC Pay Framework**

- 4.1 The key consideration for Hampshire County Council is the feasibility of being able to meet the requirements of the EHCC agreement and to translate the 2019 pay increases which will be wrapped up in a totally new NJC pay

framework. Until the details of the new NJC pay framework are known it is not possible to understand the impact and the potential complexities of this.

4.2 There will be a range of options that could be considered which include:

- Translating the changes to the new NJC pay framework across to the EHCC pay framework
- Move formally to the new NJC pay framework and return to national negotiation for all points
- Move totally to local pay bargaining and negotiate / subsequently implement a Hampshire specific pay award

4.3 Until we know the outcome of the NJC pay negotiations and the new pay framework it is not possible at this time to determine whether these are the only options and therefore to make any recommendations at this time.

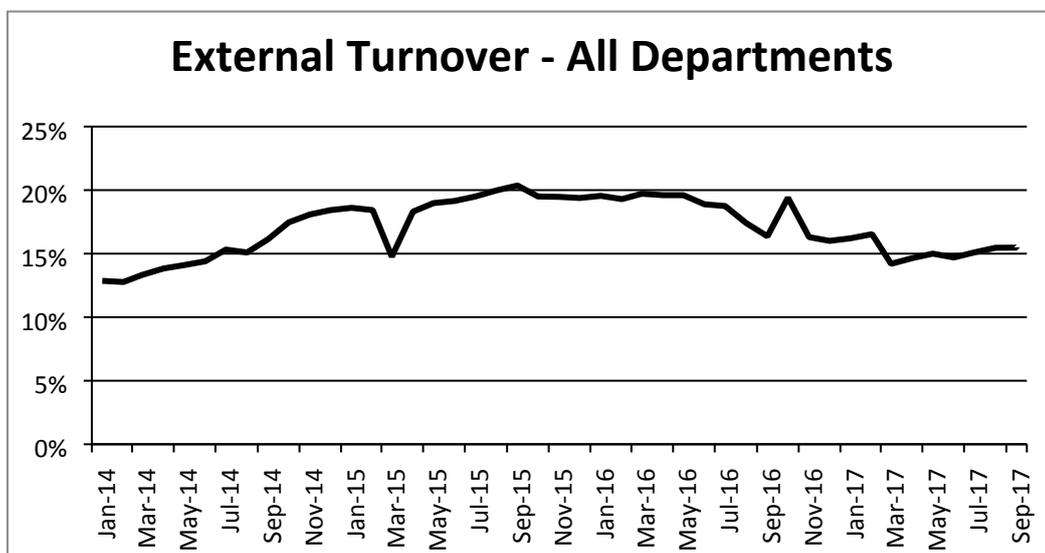
4.4 Each option will need to be assessed against a series of criteria. Potential evaluation criteria are cost, employee relations/engagement, scheme design and whether this supports the workforce strategy, ease of implementation, future proofing, any legal implications and organisational reputation.

5. External Turnover

5.1 One of the key considerations when organisations moderate reward is the potential impact on increased negative turnover. The graph below shows external turnover for the County Council since January 2014 to September 2017 and reflects the long term trend towards reduced headcount, with peaks in turnover rates being as a result of planned activity related to Transformation to 2015 and 2017 (Tt15, Tt17) work-streams, and including voluntary redundancies.

5.2 The turnover rate for the County Council is 15.5%. This is below the UK average of 23% however it is consistent with the public sector average of 15.1%. (ref. XperTHR Labour turnover rates 2016).

5.3



5.4 The table below shows the % turnover against the 'leaving categories' for the period October 2016 to September 2017.

Overall 12 months	Resign - Alt Employment	Resign - Alt LG Org	Resign - Dissatisfaction	Redundancy	Retirement	Dismissal	All other reasons
15.5%	5.7%	0.4%	0.5%	0.6%	0.9%	0.9%	6.4%

5.5 Of the total (15.5%) turnover for the last 12 months, 6.6% is as a result of leavers securing roles elsewhere, some of which will be further careers, change profession, a small proportion (0.5%) as a result of not being content in their role.

5.6 Those in the 'other' category have left for a number of reasons, some of these include, family commitments, returning to education, health, and moving out of the area.

5.7 Turnover rates are monitored regularly and where levels are significant or if there are particular concerns being flagged, then targeted work is undertaken to understand the reasons, context, and measures are put in place to mitigate. These issues are often multifaceted and measures may include working with management to improve morale and staff engagement, addressing issues of workload, growing our own capacity and talent and the use of market supplements where reward is the specific issue.

6. Legal considerations

6.1 Until we know the outcome of the NJC pay negotiations and the detail of the new pay framework it is not possible to determine the legal issues that may arise. Further advice will be obtained when the outcome of the NJC pay negotiations is known.

7. Summary of Financial Implications

7.1 The NJC pay scales are being developed by the LGA. Whilst early indications originally suggested that the LGA were considering changes to the pay spine that may result in an overall increase of 4 to 6% in national pay costs, to date, no information on any detailed proposals has been released. It is therefore not yet possible to determine the impact on the Council's pay framework of nationally targeted increases to the lower grades or to establish how far the 'ripple effect' may extend up the Council's pay framework as a result of the desire to maintain pay grade differentials.

7.2 The MTFs includes 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.

- 7.3 Early indications were that the NJC may implement changes that could increase the cost of the national NJC pay framework by up to 6% which would result in a currently unbudgeted pressure of up to £5m in 2019/20 and would in addition impact schools and trading units. However, the outcome of any national decision remains at this stage unclear and uncertain.
- 7.4 A major factor that could affect forecasts to 2019/20 and beyond is the recent announcement from the Government that a more flexible approach to public sector pay will be adopted from 2018/19. This follows growing speculation that the public sector pay cap would be lifted given increasing pressure to remove (or at least relax) the current public sector pay restraint.
- 7.5 During the period of austerity, pay has been frozen or limited to increases of 1% within local government and it had previously been announced that this would continue at least until 2019/20. On 12 September 2017 the Government confirmed police and prison officers' pay awards for 2017/18 that exceed 1% which will need to be funded within existing budgets and signaled that the approach to other sectors of the workforce will be considered in the coming months.
- 7.6 Whilst a proper pay and reward strategy is key to attracting and retaining the right calibre of staff, any public sector pay awards above the 1% allowed for would put further pressure on our forecasts (each 1% adds about £2.5m to the pay bill). Given the announcement about public sector pay it is now possible that the pay award being considered by the LGA will be greater than initially indicated which would increase the pressure on the County Council's budget further.

8. **Timeline**

- 8.1 As stated above the LGA anticipate being able to communicate details of the 2018 pay offer in Dec 2017 / Jan 2018 and are working towards an interim pay increase for April 2018 based upon the existing framework and a move to a new NJC pay framework in April 2019.
- 8.2 The details of our local implementation plan will reflect the future decision yet to be taken about how best to handle the introduction of a new national NJC pay framework in Hampshire County Council.

9. **Next Steps**

- 9.1 Two distinct but linked decisions and actions need to be managed; the 2018 pay uplift and the introduction of the new NJC pay framework.
- 9.2 EHCC have already given authority in July 2017 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.
- 9.3 It is not possible at this time to make a recommendation of the best option for managing the implications of the new NJC pay framework. Given this, the

position will be closely monitored as it continues to evolve with options being developed for agreement by EHCC in April / May 2018 (based on the current national indicative timeline). Interim updates will also be brought to EHCC.

9.4 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. **Recommendation:**

10.1 That EHCC note the update contained in the report

**CORPORATE OR LEGAL INFORMATION:
Links to the Corporate Strategy**

These government proposals do not link to the Corporate Strategy 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

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.)

Document

Location

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.