

GENERAL ASSEMBLY OF THE COUNCIL
10 October 2022

LIVING WAGE FOUNDATION AND COST OF LIVING MID-YEAR PAY INCREASE

1. Summary

- 1.1 According to the Office of National Statistics, the current cost of living crisis and increasing rate of inflation has caused the real value of workers' pay packets to drop by 3% – the fastest decline since comparable records began in 2001.
- 1.2 On 22 September 2022, The Living Wage Foundation announced an increase of 10% on the Living Wage Foundation's Living Wage, directly impacting the Council's current pay grades.
- 1.3 On 25 July 2022, The National Employers, who negotiate pay on behalf of 350 local authorities in England, Wales and Northern Ireland offered a pay increase to the unions representing the main local government NJC workforce, as from April 2022 of £1,925 per employee.
- 1.4 The Council is aware that 2022 will be difficult for many, especially those on the lowest incomes. Supporting those on the lowest pay is not only fair but improves the motivation, loyalty, productivity, and retention of hard-working staff.
- 1.5 Having assessed the options available to the Council, to help mitigate the rising cost of living for staff, a number of recommendations are put forward, with a view to avoiding an erosion of the lower end of the grading structure and minimise the impact on pay differentials.

2. RECOMMENDATIONS

- 2.1 That, to mitigate the impact of the rise in cost of living and improve the motivation, loyalty, productivity and retention of hard-working staff:
- (a) Grade B Starter be deleted from the Council's pay structure and replaced by Grade B Market, as the Council's lowest grade in its pay structure;
 - (b) That the Living Wage Foundation's Living Wage be implemented with effect from 22 September 2022, bringing Grade B Market salary to £21,034;
 - (c) an increase of £1,000 for all other salary bands, including Specified Posts and Chief Officers, be made with effect from 22 September 2022.

3. Background and Discussion

- 3.1 The cost of living has been increasing across the UK since early 2021. The annual rate of inflation reached 9.9% in August 2022, with further increases expected, affecting the affordability of goods and services for households.

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- 3.2 The Living Wage Foundation is committed to tackling low pay by encouraging the organisations (including local authorities) it supports, to pay the Living Wage, which it sets annually.
- 3.3 The Council is fully committed to improving the financial wellbeing of its staff and has already implemented various areas of support for staff, including free financial health checks, financial planning, access to financial wellbeing educational content, an employee benefits scheme offering discounts on purchases and salary sacrifice schemes (cycle to work and AVCs).
- 3.4 The Council is also committed to paying no less than the Living Wage set annually by the Living Wage Foundation, to staff on Grade B (starter level – currently the lowest grade on the Council's local pay framework) and to cleaners and one seasonal part time worker.
- 3.5 The Council operates a local pay framework and each grade comprises an entry level and a market level. Other than entry and market level, pay grades do not have any increments. Grades are determined by job evaluation using the Hay Job Evaluation Scheme, with the grade for each role being determined by a consistent job evaluation process, or an extension thereto for Specified Posts (the most senior staff below Directors that have high level and wide-ranging responsibilities, who report to the Directors).
- 3.6 The salary of grades and Specified Posts is based on the Hay Job Evaluation Scheme, or on comparables and/or external advice, and agreed by the Head of Paid Service.
- 3.7 Salaries for Chief Officers (Directors and Statutory Officers) are determined by the General Assembly of the Council in accordance with the Council's local pay framework.
- 3.8 The annual pay award for 2022 -23, was approved by the General Assembly of the Council at the budget meeting in February 2022 and set at 2% [Min.No.10(6)].
- 3.9 On 25 July 2022, in the light of the cost of living crisis, the National Employers, who negotiate pay on behalf of 350 local authorities in England, Wales and Northern Ireland, offered a pay increase of £1,925 to the unions representing the main local government NJC workforce, as from April 2022.
- 3.10 The Council sets pay locally and is not part of national negotiations. To match the National Employer's offer of a pay increase of £1,925 would have required a pay rise of around 5.3% on all salaries, from 1 April 2022.
- 3.11 Additionally, on 22 September 2022, in response to the cost of living crisis, the Living Wage Foundation announced an early increase in its Living Wage, bringing it to £10.90 per hour from £9.90 per hour. This represents an increase of just over 10%, the equivalent of £1,932 per annum for a full time member of staff, bringing the hourly rate to above that of Grade C

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Starter, eroding the lower end of the Council's grading structure and causing a knock-on effect to the pay differentials of middle and higher grades.

- 3.12 The Council is aware that 2022 will be difficult for many, especially those on the lowest incomes. Supporting those staff on the lowest pay is not only fair but improves the motivation, loyalty, productivity, and retention of hard-working staff.
- 3.13 Having assessed the options available to the Council, to help mitigate the rising cost of living, a number of recommendations are put forward, with a view to avoiding an erosion of staff at the lower end of the grading structure and minimise the impact on pay differentials.
- 3.14 It is therefore proposed that Grade B Starter is deleted and Grade B Market becomes the Council's lowest grade. To mitigate against the impact of the increase on Grade C Starter and to minimise the impact on pay differentials between grades, whilst also helping to address the cost of living challenge faced by all staff, it is proposed that all other salary bands, including Specified Posts and Chief Officers, are raised by £1,000 with effect from 22 September 2022.
- 3.14 The application of an additional mid-year set amount pay increase, as opposed to a percentage increase, will ensure that the increase benefits lower paid staff the most to try and help mitigate the rising cost of living, whilst keeping costs below that of a 3.3% increase across the board.
- 3.15 It is intended that the Council return to a percentage increase in April 2023, to ensure that pay differentials between grades are not adversely affected in the long term.

4. Relationship to the Corporate Plan

Not Applicable

5. Financial, legal, staffing and other implications and risk assessments

Financial Implications	The cost of the proposed increases in the remaining half of the financial year are expected to be £145,000 for the General Fund and £43,000 for the Housing Revenue Account. The general fund cost can be funded by reducing the planned contribution to reserve and the HRA costs can be funded through the use of HRA reserve balances. The increased salary costs will be built into a revised Medium Term Financial Plan and HRA Business Plan taking account of the full year impact of these increases.
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Legal Implications	The Council is not legally obligated to pay the Living Wage, set annually, by the Living Wage Foundation.
Public Sector Equality Duty	A set amount pay increase rather than a percentage increase, will ensure that all staff are treated equally, regardless of any protected characteristics.
Climate Impact Assessment	N/A
Staffing Implications	Failure to implement could affect staff retention and have a negative effect on public perception for no longer committing to the Living Wage Foundation's Living Wage.
Administrative Implications	None, other than a limited amount of additional time in October 2002 pay run to affect the changes.
Risk Assessment	An erosion of staff at the lower end of the grading structure and impact on pay differentials will be minimised by the implementation of the recommendations.

6. Details of Exempt Information Category

Not applicable

7. Appendices

None

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date / File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
		Philippa Curtis (01322) 343054	Human Resources Corporate Services	N/A