

CABINET REPORT
18 February 2014

Cabinet Member: Councillor Dyfed Edwards
Councillor Peredur Jenkins

Subject: Pay Policy

Contact Officer: Harry Thomas, Chief Executive
Alwyn E Jones, Head of Human Resources

Decision Sought/Purpose of the Report

Cabinet Members are asked to:

- Increase the pay of the Council's lowest paid staff by deleting the two lowest pay points from the Council pay structure.
 - Make a recommendation to the Council to incorporate this change in the Council's pay policy statement for 2014/15 and also to recommend how the change should be financed.
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1. INTRODUCTION

1.1 Last year the Cabinet asked officers to investigate the implications of implementing the "Living Wage" as part of the Council's pay structure. Officers reported that immediate full compliance would entail substantial costs (of the order of £1m per annum) and would create problems with the pay structure in terms of job evaluation.

The Leader of the Council subsequently asked officers to investigate the implications of taking a step towards the "Living Wage".

1.2 The Living Wage is currently set at £7.65 per hour and the national minimum wage for workers over 21 is £6.31 per hour. In developing an option, officers have attempted to strike a balance which maximises the number of staff benefitting whilst containing the costs to an achievable level and ensures the Council does not undermine its job evaluation scheme.

2. **THE PROPOSAL**

- 2.1 The recommendation is that the Council deletes the two lowest points on the pay scale, which means that the minimum wage the Council pays increases by 3.9% from £6.44 per hour to £6.69 per hour. In terms of pay grades, this would entail the following changes:-

<u>Pay Grade</u>	<u>Current Pay Point</u>	<u>New Pay Point</u>
GS1	5	7
GS2	6/7	8
GS3	8/9	9

- 2.2 The starting point for all three pay grades would increase as follows

	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>
	<u>£</u>	<u>£</u>	
GS1	6.44	6.69	3.9%
GS2	6.54	6.91	5.7%
GS3	6.91	7.11	2.9%

- 2.3 The number of employees benefitting from the proposal is as follows:-

	<u>Permanent</u>	<u>Casual</u>	<u>Total</u>
GS1	848	443	1291
GS2	66	33	99
GS3	<u>508</u>	<u>187</u>	<u>695</u>
	<u>1422</u>	<u>663</u>	<u>2085</u>

The vast majority of the staff affected will be part-time workers and the changes to the GS3 grade will benefit new starters and existing staff on scale point 8.

3. **COST AND FINANCING**

- 3.1 The maximum cost of the proposal is £235,000 – the eventual cost may be marginally lower as the Council may be able to recharge some of the costs to third parties. The whole of the cost will be incurred in 2014/15 as the package has been designed such that staff receive all the benefit in one year.

- 3.2 In terms of financing the package, the Chief Executive and Head of Human Resources are in negotiations with Trade Union representatives, with the objective of signing a memorandum of understanding. This would cover future possibilities for savings in staff costs from terms and conditions of service. At present, the Council has an agreement not to implement changes to some staff terms and conditions until April 2016. The idea behind the memorandum of understanding is that the Council will have prepared any changes in good time for implementation in April 2016.
- 3.3 We cannot, however, be certain at this stage how detailed negotiations will proceed and the exact savings that will be available. This package therefore needs to be financed by other means with the memorandum of understanding then being available to help meet the expected financial gap in 2016/17.
- 3.4 Therefore, in terms of funding the change from next year, the options are limited. The Council is already deferring some of next year's difficult decisions by using balances to finance some of the 2014/15 financial gap. It would be imprudent to add the cost of this package to the Council's base budget and at the same time, defer the financing decision for a year as the Council already faces a massive financial gap in 2015/16. The only other option is to add the cost of this proposal to next year's Council Tax. If members accepted this solution, it would be equivalent to adding 0.4% on next year's Band 'D' Council Tax increase.

4. **CONCLUSIONS AND RECOMMENDATIONS**

- 4.1 Cabinet Members have already expressed a desire to see "fairness" as one of the Council's thematic priorities in the Council's strategic plan. There are many areas where the Council is already committed to this thematic priority e.g. welfare changes, health inequalities and closing the gap in educational achievement. This proposal is entirely consistent with the fairness agenda.
- 4.2 It is therefore recommended that:-
- (a) The Cabinet approves the proposed changes to the pay structure for lower paid staff.
 - (b) That the Cabinet recommends to increase the Council Tax to finance these changes

Opinion of the Statutory Officers

Chief Executive:

Author of the Report

Monitoring Officer:

"The role of the Cabinet in setting the policy direction and the role of the full Council in providing funding and agreeing the pay policy statement are inextricably interdependent. The two recommendations in the report appropriately acknowledge these two separate but linked roles. No other issues of propriety arise from the recommendation."

Chief Finance Officer:

"It is a matter for elected members to prioritise this proposal to delete the two lowest pay points from the pay structure, in fairness to staff on low pay. However, if the Cabinet/Council wishes to approve the proposed changes, then I entirely support the second part of the recommendation, i.e. to increase the Council Tax to finance these changes."

I agree with the Chief Executive that it would be unwise to use the balances in 2014/15 to finance this, as it would add the cost of this package to the massive financial gap already facing the Council. It will be a very substantial challenge to balance the base budget for 2015/16 in any case without escalating the problem now. After detailed work on pay records etc., I can confirm the correctness of the figures in part 3.1 and 3.4 of the report, i.e. that the total cost of the proposed changes is approximately £235,000 and that is equivalent to adding approximately 0.4% on the Council Tax, i.e. an increase of 3.9% by 2014/15 instead of 3.5%".
