

Report to	-	Licensing and General Purposes Committee
Date	-	16 April 2018
Report of the	-	Executive Director
Subject	-	Review of Local Pay Award

Recommendation: It be **RESOLVED:** That Members' views are sought for the 2018 pay settlement in the light of budget forecasts, for consideration by Cabinet and Council.

Introduction

1. As Members are aware, the financial situation the Council faces remains challenging for the foreseeable future. A major component in the Council's budget is its staffing and discussions have been on going with Staff Side on the position for a pay award for this year.
2. Members' views are being sought on the way ahead for this settlement to enable negotiation with UNISON / Staff Side to be progressed. It is also important to realise that any pay settlement is not a one off; it is then built into our budgets for the future years.

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3. We keep a regular dialog with UNISON / Staff Side and as would be expected the pay award has been discussed during the Spring. The expectation on their part will be for an annual pay award that reflects the current outlook and they would certainly be looking towards at least mirroring the national picture. They have also highlighted higher levels of inflation. Their views on the pay award are submitted at Appendix A.

Background

4. The Government now appears to have accepted that Public Sector pay can rise above the 1% previously indicated as the Public Sector benchmark. The national pay award in local government is proposed as a two year award of 2% for each year. As Members are aware Rother has a local pay settlement arrangement and in 2017 agreed a 1.5% award. The current state of local pay settlements in local government is hard to identify, but unsurprisingly appears to be following the national award pattern of 2%. As always scrutiny on local government remains and any pay award out of the main stream would undoubtedly draw attention to Rother.
5. Inflation has been on the rise during this period, moving between 2.5% to 3.0%. As would be expected, our salary points are implemented above the Government's National Living Wage.

6. From 2014 to 2017 we have matched the Living Wage (from the Living Wage Foundation, and distinct from the National Living Wage) for our permanent staff. Should we wish to continue this approach then an award in the region of 1.0% would not be sufficient and a specific adjustment will have to be made to SCP 6 in the salary scales. This in effect would be a 3.6 % pay award to this particular salary point. It affects a very small number of our staff and the cost of continuing this would be minimal.
7. Within this debate we must also keep in mind our future position in the employment market. Turnover has increased in local government and the upturn in the job market has continued with the private sector once more competing for staff. Also the pool of local government professions appears to be diminishing. We have worked over the last decade to narrow the gap between ourselves and neighbouring authorities on pay and, as these are often our main competitors, we have to be conscious of their pay.
8. In order to achieve a balanced budget for this coming year, Rother's pay award for 2017/18 is already budgeted for at 1.0%. As explained, any enhancement beyond this budgeted figure will have to be found from within the existing budget. This inevitably adds to the savings target the Council needs to achieve over the next years.

Conclusion

9. The overall picture appears to be one of following the national agreement for a 2% award in the Local Government sector and there are good reasons for us to at least match this pattern. There is also considerable merit in the stability a 2 year deal would give us, both in matching others and also financial planning. Furthermore, consideration needs to be given to the Council's view on the Living Wage (from the Living Wage Foundation).

Malcolm Johnston
Executive Director

Risk Assessment Statement

No risks are foreseen in this report, as it is the starting point in the process of discussion with Members and UNISON / Staff Side.

Appendix A – UNISON / Staff Side Comments



ROTHER DISTRICT COUNCIL LOCAL PAY CLAIM 2018

INTRODUCTION

This pay claim is submitted by UNISON on behalf of Rother District Council.

UNISON's claim is for the following:

- Reward for the increasing stress faced by front line workers arising from the significant reduction in posts over recent years.
- Average pay settlements across the economy have been running ahead of those received by Rother District Council staff over recent years, increasing the likelihood of recruitment and retention problems in the long term.
- A pay rise to help restore and maintain employees' living standards. Inflation has been above pay rises for the last seven years.

UNISON is therefore submitting the following claim for 2018, which seeks to improve and enhance the morale and productivity of our members. Meeting our claim will give Rother District Council the opportunity to demonstrate its commitment to creating a workforce, which is reasonably paid and high in morale and productivity. The claim is straightforward and realistic.

SUMMARY CLAIM

We are seeking:

- A **2.5%** increase on all salary points and allowances.
- Staff on SCP 6 as a minimum should be paid the living wage (from the Living Wage Foundation, and distinct from the National Living Wage).

1. BACKGROUND TO THE CLAIM

A substantial increase will help restore and maintain living standards of the staff who have seen their real pay eroded considerably.

The greatest asset of Rother District Council is its employees. In this pay round, our members are looking for evidence of the value that the Council places upon them and a share in the economic recovery.

This claim is both realistic and fair. The following gives full justification for the claim. UNISON hopes that the Council will give this claim the full consideration and response which employees expect and richly deserve.

2. COST OF LIVING

According to the Office for National Statistics (ONS) the Retail Prices Index rose from 222.8 (April 2010) to 270.64 (April 2017) – an increase of 21.5% (January 1987 = 100). Over the same period the Consumer Prices Index rose from 89.2 (April 2010) to 102.9 (April 2017) – an increase of 15.4% (2015=100).

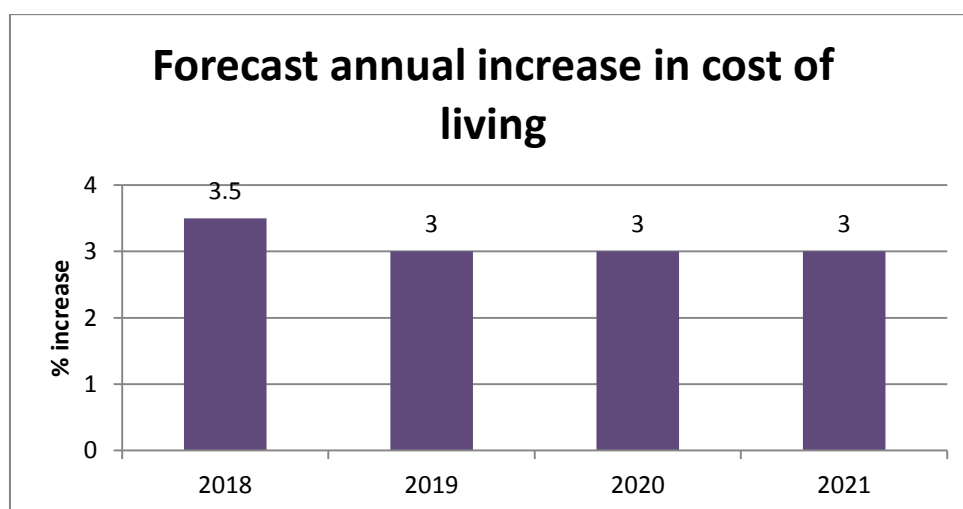
Between April 2010 and April 2017 pay at Rother District Council rose by only 5.5 %, while inflation rose by 21.5%. This represents a substantial fall in real living standards for Council employees.

UNISON believes that the Retail Prices Index (RPI) remains the most accurate measure of inflation faced by employees. The most widely quoted figure for inflation in the media is the Consumer Prices Index, However, UNISON believes that CPI consistently understates the real level of inflation for the following reasons:

- CPI fails to adequately measure one of the main costs facing most households in the UK – housing. Almost two-thirds of housing in the UK is owner occupied, yet CPI almost entirely excludes the housing costs of people with a mortgage
- CPI covers non-working groups excluded by RPI – most notably pensioner households where 75% of income is derived from state pensions and benefits, the top 4% of households by income and tourists
- CPI is calculated using a flawed statistical technique that consistently underestimates the actual cost of living rises faced by employees.

3. FORECAST INFLATION RATES

Treasury forecasts indicate that the cost of living is set to rise significantly again in 2018, with the rate hitting 3.5% followed by three successive years of inflation at 3%. If these rates turn out to be correct, the cost of living employees will face will have grown by over 13% between 2018 and 2021, following the pattern set out in the graph below.



Source: HM Treasury, Forecasts for the UK Economy, August 2017

4. INFLATION COMPONENTS

The changes in the price of components of the Retail Prices Index over the year to July 2017 are shown in the table below.

Item	Average % increase to July 2017
Consumer durables	7.4
Personal expenditure	6.0
Travel and leisure	4.3
Alcohol and tobacco	4.1
Housing and household expenditure	2.9
Food and catering	2.8
All goods	3.9
All services	3.9
All items	3.6

Source: Office for National Statistics, Consumer Price Inflation Reference Tables, July 2017

Within these broad categories, some costs are rising particularly fast, with electricity bills jumping 9% over the last year, travel fares rising 6.3% and clothing / footwear picking up 9.5%.

The price of housing also remains one of the biggest issues facing employees and their families. Across the UK, house prices rose by 4.9% in the year to June 2017, taking the average house price to £223,000¹. In the South East, annual house price inflation was 4.9% over the year to June 2017, taking South East average house prices to £320,000.

The rate of increase in rents has been more subdued, but still jumped 2.1% in the year to June 2017, when average rents across England and Wales were £827 (£885 in the South East)². Rents among new tenancies across the UK hit £925 a month in July 2017³, with the South East ahead at average monthly rent of £1,025. In UNISON's local government membership survey⁴, 51% of South East respondents reported that they were finding housing costs more or much more difficult to meet compared to the previous twelve months.

UNISON surveys have consistently found that around one third of employees have child caring responsibilities. Though not specifically assessed by CPI or RPI figures, childcare costs represent a key area of expenditure for many employees. Therefore, it is also worth noting that the annual Family & Childcare Trust survey⁵ for 2017 found that the annual cost of a part-time nursery place for a child under two has hit £6,061 per year and the annual cost for a full-time place is £11,594.

¹ Office for National Statistics, House Price Index June 2017, published August 2017

² LSL Property Services. Buy to Let Index, July 2017

³ HomeLet Rental Index, July 2017

⁴ Under pressure, underfunded and undervalued- UNISON members keeping communities together June 2016

⁵ Family & Childcare Trust, Childcare Costs Survey 2016

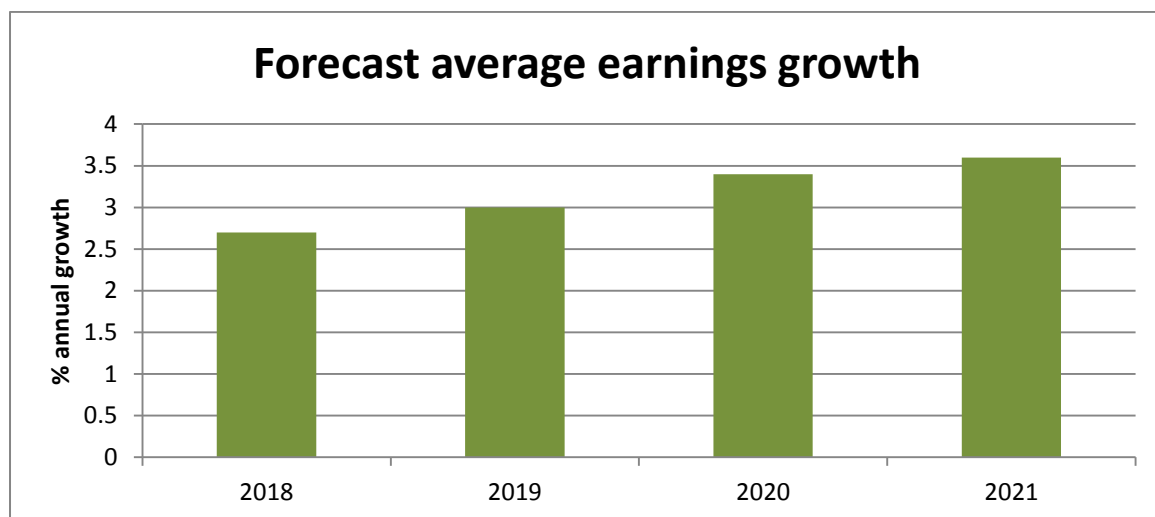
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5. RECRUITING AND RETAINING STAFF

The ability of Rother District Council to attract and retain staff in the long term will be damaged if pay continues to fall behind the going rate in the labour market. The Council struggled to attract staff to a number of posts in 2017.

The unemployment rate has been on a steady decline and is now at its lowest level in 42 years. The Office for Budgetary Responsibility predicts that the rate will remain near historically low levels over the next four years. Such a labour market background makes competitive wage rates ever more crucial.

In order to remain competitive with wages across the economy, Rother District Council will need to keep up with average earnings growth predicted to rise across the economy at 2.7% in 2018 and rise steadily to 3.6% by 2021, following the pattern shown below.



Source: Office for Budgetary Responsibility, Economic and Fiscal Outlook, March 2017

When examining the outlook over the next two years, the average increase in the value of the economy is set to run at 1.7%, average earnings growth at 2.9% and the cost of living at 3.2%.

6. WELFARE CUTS – WHAT DOES IT MEAN FOR ROTHER DISTRICT WORKERS?

Household income for people on low incomes consists of pay and in-work support provided by the government. This pay claim needs to be seen in the context of reductions in the system of 'in-work' support that is provided through tax credits and housing benefit.

Although the government reversed its plans to change the tax credit threshold and the taper, those elements have been frozen and are not adjusted for inflation. The family element for new claimants was removed in April 2017 and support limited to two children.

Local housing allowances - housing benefit for private sector and housing association tenants – have been frozen, meaning that tenants have had to find the money to pay any rent increase. Family premium has been withdrawn from new claims and child benefit has been frozen since April 2010.

7. CONCLUSION

There can be no doubt that all employees working for Rother District Council have seen a significant fall in their living standards. Their real earnings have fallen substantially.

To deliver a quality service, the Council relies on its workforce and the retention of a specialist, skilled, experienced and dedicated workforce is important to the quality of service delivery. Competition for that workforce from other sectors is strong.

It is worth noting the following for Councils not on local pay agreements; in January 2018 the Local Government Association made a pay offer to the National Joint Council Committee of a 2% per annum increase on 1 April 2018 and a further 2% per annum increase on 1 April 2019. THE NJC Committee refused the offer, their claim was for a one-year deal at 5%.

2018 is the year in which Rother District Council can begin to demonstrate that its workforce is included in the recovery. This is a fair and realistic claim which we ask the Council to meet in full.

ROTHER UNISON