

**Report to:** Governance Committee

**Date of meeting:** 23 January 2018

**By:** Chief Operating Officer

**Title:** LMG Managers Pay Offer 2018/19

**Purpose:** To appraise the Governance Committee on the considerations in relation to the LMG pay award for 2018/19.

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## **RECOMMENDATIONS**

**The Governance Committee is recommended to defer consideration of the pay offer to LMG Managers until the level of the NJC national pay award is known.**

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### **1 Background**

1.1 LMG Managers' pay is locally negotiated with Unison and reported to the Governance Committee on an annual basis, to approve the pay offer and any subsequent settlement. Two reports are therefore presented: the first, in January, seeking agreement to the offer and the second, in March, finalising the offer following local negotiations with Unison in January/February.

1.2 The national (NJC) pay award is relevant to these local negotiations as the decision made regarding the local pay offer needs to take into account the impact on the wider workforce and organisation as a whole. In addition, there is an overlap between LMG1 and the top of the Single Status pay range (SS13) which applies to specialist professional posts, such as Senior Practitioners in Adult Social Care and Children's Services. It is therefore important to ensure that these two grades remain comparable and that the relativities do not widen too far.

1.3 Set against this background, the local pay award for LMG Managers has therefore historically mirrored the national award. Any consideration of a pay increase must, however, take into account the savings targets and significant financial challenges facing the Council, as well as any Government pay policy for the public sector.

### **2 Supporting information**

2.1 The annual Consumer Prices Index (CPI) inflation measures changes in the price level of consumer goods and services purchased by households. The CPI 12 month rate (the amount prices change over a year) between October 2016 and October 2017 stood at 3% (Office for National Statistics, November 2017), unchanged from September 2017. CPI is the inflation measure used in the Government's target for inflation and for purposes such as uprating pensions, wages and benefits.

2.2 On 21 March 2017, the CPI was replaced by a new measure: the Consumer Prices Index, including owner occupier's housing costs (CPIH). This extends the CPI to include a measure of the costs associated with owning, maintaining and living in one's own home (owner occupiers' housing costs OOH), along with council tax. This is the most comprehensive measure of inflation. The CPIH 12 month rate between October 2016 and October 2017 stood at 2.8% (Office for National Statistics, November 2017); unchanged from September 2017.

2.3 For the three months ending September 2017, the median pay settlement for the private sector was 2%, whereas in the public sector it was 1%. The median for the whole economy was 2% (Xpert HR, November 2017). Total pay in the public sector (average weekly earnings including bonuses adjusted for CPI) grew by 0.3% to 1.7% when compared with a year earlier over the three months to September 2017. In contrast, total pay in the private sector fell by 0.2 to 2.4% over this period. Overall, average weekly earnings for employees in Great Britain in real terms (that is, adjusted for price inflation) fell by 0.3% to 2.2% including bonuses compared with a year earlier (Labour Market Statistics, ONS).

2.4 The wastage figure for voluntary leavers among LMG Managers (e.g. resignations) for the half year period April to Sept 2017 is 2.54%. For comparison purposes, for the period April to Sept 2016 it was 2.63% and for April to Sept 2015, 3.6%.

2.5 Whilst the current rate of inflation is 2.8%, unchanged from September 2017, the National Institute of Economic and Social Research (NIESR) states "*CPI inflation is set to remain stubbornly above the target rate of 2 per cent until at least mid-2019 on our forecast. Household disposable income will be squeezed as a result.*" (NIESR, December 2017).

### Pay Negotiations 2017/18

2.6 The national NJC local government services pay negotiations are as yet to be concluded. The National Employers have made a final pay offer covering the period 1 April 2018 to 31 March 2020. If agreed, the two-year deal would provide for pay increases of 2% each year on salaries at the top end of the scale. A response from the Unions is yet to be received.

2.7 LMG Managers received a pay award of 1% for the financial year 1 April 2017 to 31 March 2018 to mirror the national NJC award. Prior to this, they received an overall pay award of 2.20% for the two-year period 1 April 2015 to 31 March 2016, again, in line with the national NJC pay award.

### Financial Implications

2.8 The LMG pay bill is approximately £27.9m per annum including on-costs. If the national NJC pay offer were mirrored, this would provide for an offer of 2% in 2018/19, which would cost approximately £558,000 including on-costs. An award of 2% each year, over 2 years, would therefore cost approximately £1.1m including on-costs.

2.9 Revenue budgets for 2018/19 have been prepared with provision for a pay award of 1%, in line with the Government's pay policy for the public sector. However, the provision made for the National Living Wage (NLW) could also be used to support this.

2.10 Appendix 1 provides high level benchmarking data in relation to the key LMG grades. As can be seen from this, the LMG grades are broadly in line with our neighbours. The majority have confirmed that their pay awards will mirror the national position.

## **3. Conclusion and reasons for recommendations**

3.1 In light of the current uncertainty around the national NJC pay award and the relevance of this to the LMG grades given the need to ensure that the relativities between the grading systems do not widen too far, the Governance Committee is recommended to defer consideration of the pay offer to LMG Managers until the level of the NJC national pay award is known.

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