



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Cabinet

21 July 2026

Report of Councillor Ashley Baxter,
Leader of the Council and Cabinet
Member for HR and Economic
Development

2026/27 Pay Award

Report Author

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Purpose of Report

To implement a pay award in line with the National Employers' for Local Government Services final offer effective from 1 April 2026.

Recommendations

Cabinet is asked to approve an additional budget of:

- **£214,000 from the Local Priorities Reserve to fund the General Fund impact of the proposed pay award impact for 2026/27.**
- **£37,000 from the Housing Priorities Reserve to fund the HRA Impact of the proposed pay award impact for 2026/27.**

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 As part of the 2026-27 budget process a predicted pay award of 3% was budgeted leaving a 0.3% shortfall against the proposed 3.3% award. This effects both council officers pay and Members allowances.
- 1.2 There is also a financial impact for the Real Living Wage increase required for grades SK3 – SK7 of an additional 1.8%.
- 1.3 The table below summaries the financial impact:

	General Fund	HRA
Pay Award 0.3%	£65,000	£35,000
Real Living Wage 1.8%	£147,000	£2,000
Members allowance 0.3%	£2,000	n/a
Total	£214,000	£37,000

- 1.4 As consequence a total of £214k will be required to meet the General Fund impact and £37k for the HRA which will be funded from the relevant Priorities Reserve accordingly as set out in the recommendations to this report. This will be compound financial impact on future years as these amounts aren't currently in the Medium Term Financial Strategy projections for 2027/28 onwards.

Completed by: David Scott (Assistant Director of Finance and Deputy S151 Officer)

Legal and Governance

- 1.5 The allocation of reserves and approval of supplementary budget provision are matters for Cabinet (and, where required, Full Council) in accordance with the Council's budget and policy framework and constitution.
- 1.6 The proposed use of reserves should be considered having regard to the purpose of the relevant reserve, the Council's overall financial position and the advice of the Section 151 Officer.
- 1.7 Any approved budget provision would support the implementation of the Council's employment obligations arising from the agreed pay award.

- 1.8 The committee's recommendation does not itself authorise expenditure and any release of reserve funding must be approved through the Council's established financial governance arrangements.

Completed by: Graham Kitchen, Director of Law and Governance (Monitoring Officer)

2. Background to the Report

On 22 June 2026, Employment Committee voted to recommend to Cabinet implementation of the pay award outlined in this report.

National Pay Award for 2026/2027

- 2.1 The National Employers for Local Government Services (National Employers) are responsible for negotiating pay, terms and conditions of staff in many local authorities. They consult with councils and propose offers to relevant Trade Unions.
- 2.2 On 24 March 2026, the National Employers announced a full and final offer for Council employees (Appendix 1).
- 2.3 The offer is to pay an increase of **3.3%** across all National Joint Council pay spines, Chief Officers and the Chief Executive for the 2026/27 financial year. Whilst this award has not been formally agreed by the Trade Unions nationally, South Kesteven District Council (SKDC) has historically implemented the full and final offer in order to ensure staff receive the pay award in a timely manner, rather than delaying implementation pending formal agreement.
- 2.4 SKDC is not part of the national consultation process and the Council's pay scales are not on the National Joint Council (NJC) scales. Instead, SKDC consults with local Trade Union Representatives and aligns to local agreements. We have a local agreement to align the pay award to mirror the outcome of national negotiations.
- 2.5 The current budget allocation for the pay award is **3%**. The **0.3%** shortfall equates to a budgetary impact of **£65k** on the general fund and **£35k** on the HRA which will require additional funding from reserves.

Real Living Wage Pay Award

- 2.6 Applying the **3.3%** alone would not raise the Council's lowest pay grades to the Real Living Wage. The lowest grade, SK3, will pay **£13.22** per hour after the **3.3%** rise. The real living wage is **£13.45** and therefore a further **1.8%** is required to bridge this gap resulting in an increase **£147k** for the General Fund and **£2k** for the HRA.
- 2.7 The Real Living Wage increase would need to be applied to grades SK3 – SK7 in order to maintain the sequential grade differentials and ensure all grades are above the Real Living Wage threshold. This would be from 1 April 2026.

Members Allowances

- 2.8 Members allowances currently increase in line with staff pay awards and, therefore, face a **0.3%** shortfall on the budget provision equating to **£2k**.

3. Key Considerations

- 3.1 It is recommended the **3.3%** pay award is applied to all grades, effective from 1 April 2026. This would require **£65k** from the General Fund and **£35k** from the HRA to fund the additional **0.3%**. This would be drawn from the Local Priorities Reserve and HRA Priorities Reserve accordingly or in year underspends should these be sufficient.
- 3.2 It is recommended a Real Living Wage increase is applied to grades SK3 – SK7. This would require **£147k** from the General Fund and **£2k** from the HRA. This proposal supports the Council's previously agreed commitment to paying the Real Living Wage, as endorsed by Full Council.
- 3.3 This would have a potential knock-on impact of **£2k** on the budget for Members allowances which currently increase in line with staff pay awards.
- 3.4 The budget shortfalls would need to be funded for the relevant reserves.

Approval Process

- 3.5 Given the total potential value for the General Fund is **£214k** it will be a key decision but under the new financial regulations Cabinet can approve reserve movements up to **£250k**.
- 3.6 Following approval by Cabinet, the Council would look to implement the increase in August 2026 payroll.
- 3.7 The National Employers pay offer has not been accepted by the Trade Unions and it is therefore subject to possible change. If this were to happen, SKDC would need, once again, to review budgets and consult with Trade Union representatives.

4. Other Options Considered

- 4.1 Not implementing a pay award would have a significant impact on staff morale, employee relations, staff retention and relations with the Trade Unions.

5. Reasons for the Recommendations

- 5.1 The staff award is a recognition of the hard work and dedication of our employees.
- 5.2 It is proposed to back date the pay award to 1 April 2026. A delay in implementation could negatively impact some members of staff.

6. Consultation

- 6.1 The Trade Unions have been consulted and are in agreement with the proposed pay award.

7. Appendices

- 7.1 Appendix A – Letter from the National Employer