

**TONBRIDGE & MALLING BOROUGH COUNCIL****GENERAL PURPOSES COMMITTEE****7 September 2009****Report of the Chief Executive****Part 1- Public****Delegated****1 2009 PAY AWARD****Summary****A report to consider a proposal in respect of a pay award for 2009.****1.1 Introduction**

- 1.1.1 The vast majority of the Council's employees, other than those employed in the Leisure Services Business Unit (LSBU), have a term in their contracts which reads "your salary will be revised on 1 April each year ...by an amount determined by the Authority having regard to movements in the Retail Price Index, comparative pay settlements and prevailing economic conditions."
- 1.1.2 Members of the Committee will be aware that no consideration has as yet been given to the matter of a pay award and the last increase in salaries for the Council's employees was in April 2008. The reason for the delay in addressing this matter is the extremely difficult financial position the Borough Council faced when it set its budget and the ongoing economic downturn that continues to impact adversely on the Council's major revenue streams. The delay in considering a pay award is understood by the Trade Union and staff representatives and has been intentional in order that the results of the exercise to identify the £600,000 savings needed (that form part of the Council's Medium Term Financial Strategy) are available to inform consideration of the matter.
- 1.1.3 The results of the savings exercise are now available and are reported elsewhere on the agenda for this meeting of the Committee. It is both appropriate and equitable, therefore, that the issue of a pay award should now be considered.
- 1.1.4 This report will now look at a range of factors that are relevant to the issue of a pay award.

## **1.2 Retail Price Index**

- 1.2.1 The RPI rate of increase in April 2009 was -1.2% and the latest figure at June 2009 was -1.6%. The Government's preferred measure is the Consumer Price Index and the figures for April and June 2009 stood at 2.3% and 1.8% respectively.
- 1.2.2 It will be seen, therefore, that the movements in RPI do not indicate inflationary pressures that need to be addressed. However, the CPI, although moving downwards, does indicate a modest level of inflation when mortgage payments are excluded.

## **1.3 Comparative Pay Settlements**

- 1.3.1 Three Kent authorities, Tunbridge Wells, Sevenoaks and Gravesham and also Medway remain tied to the nationally agreed pay increase for local government. This is still to be settled but the employers have just increased their offer to 1.25% from April 2009. Thanet paid 1.75% to 2.0% from April. Dartford paid 2% from April. KCC and Maidstone paid 1% from April.
- 1.3.2 Across the south east generally, settlements range from 1.5% to 3% from April 2009.

## **1.4 Prevailing Economic Conditions**

- 1.4.1 The UK economy is in recession although there are signs that the rate of contraction is starting to slow. However, some commentators believe we may experience a "W" recession rather than a "V" shaped one.
- 1.4.2 The recession is clearly having an impact locally with rising unemployment and higher levels of benefits claimants. Against this background, any pay award must be realistic, affordable and not place further demands on council tax levels.

## **1.5 Budget Provision**

- 1.5.1 The Council's budget for 2009/10 provides for a 2% pay award from April 2009.

## **1.6 Other Factors**

- 1.6.1 Members should recall that one measure that was taken to achieve a substantial saving when preparing the 2009/10 budget was the withdrawal of private medical insurance, which for the vast majority of Council employees was the equivalent of a pay reduction of £825 pa. I consider this is an important factor that needs to be taken into account when considering the issue of a pay award.

## 1.7 General Discussion

- 1.7.1 The factors that are relevant to consideration of a pay award have been identified in the previous sections of this report. Inflation is at a low level and appears still to be falling. In terms of retaining market position and comparability with other Kent authorities, a pay award is needed as all other Councils have granted awards or will be doing so once the national award has been settled.
- 1.7.2 The prevailing economic conditions are poor with uncertain prospects for improvement, in Audit Commission parlance. Any award must have regard to this and the need to minimise the impact on council tax levels.
- 1.7.3 The Council's budget for 2009 includes a provision for a pay award of 2% from April 2009. However, the Council's main revenue streams continue to be adversely affected by the economic downturn to an even greater extent than that provided for within the budget and MTFS. Looking ahead, the state of the nation's public finances is such that it is likely that support for the public sector will reduce substantially and the impact of this will be particularly felt in the district council sector. Pressure to contain council tax increases is likely to be exerted and revaluations of superannuation funds are likely to cause further problems. Affordability is therefore an issue that must be considered in connection with a pay award.
- 1.7.4 Retention of trained and experienced staff has been problematic in certain key functions such as planning and benefits as a result of higher salaries being offered elsewhere. It is important, therefore, that our market position is not allowed to deteriorate otherwise the problem will grow and the Council's ability to deliver its statutory functions impaired.
- 1.7.5 There is a means of containing the costs to the Council whilst ensuring that our competitive position is not damaged and is marginally improved and that is by implementing the pay award at the budgeted level but delaying implementation until October 2009. This would reduce the increase in costs in 2009/10 to 1% and in cash terms from £290,000 (including LSBU) to £145,000 thus easing the pressure on the Council's finances.
- 1.7.6 Deferring the pay award until October is a departure from normal practice and at variance with what is anticipated in employees' contracts of employment but I have canvassed staff views widely, including those of Unison and Staff Representatives and considerable support has been expressed for the approach with no dissenting views put forward.
- 1.7.7 It is my perception that the Council's employees are very aware of the Council's financial difficulties and the impact of the recession on unemployment levels and they are taking a pragmatic and realistic view over what is affordable in terms of any pay award.

1.7.8 In bringing forward a proposed pay award of 2% from October 2009 (thus containing the cost to the Council to 1% in 2009/10) I have made it clear to the JECC that I cannot say when next it will be possible and affordable to increase salaries given the widely forecast cuts in public expenditure in future years.

## 1.8 Legal Implications

1.8.1 We have a contractual requirement to review our salary levels annually but no obligation to increase them by any set amount or in response to movement in the RPI.

## 1.9 Financial and Value for Money Considerations

1.9.1 The cost and provision for the recommended award are detailed elsewhere in this report. I believe that the recommended award represents value for money because it saves the Council £145,000 in 2009/10 against the budget provision whilst maintaining our salary levels relative to our competitors and sends a reassuring message to staff that their effort is valued in the difficult circumstances faced by the Council.

## 1.10 Risk Assessment

1.10.1 I see no significant risk in the recommendation. It saves the Council a considerable sum in 2009/10 but ensures there is no adverse impact upon the Council's ability to recruit and retain staff.

## 1.11 Conclusions and Recommendations

1.11.1 For the reasons I have set out elsewhere I believe it would be appropriate to make a pay award in line with the budgeted figure of 2% but to defer this until October 2009. The inclusive cost of this in 2009/2010 for the Corporate Estimates is estimated to be £120,000 against a budget provision of £240,000. For the LSBU, which is included in my recommendation, the cost will be £25,000 against a budget provision of £50,000.

1.11.2 **I RECOMMEND** a pay award to all relevant staff, including those in the LSBU, of 2% with effect from 1 October 2009.

Background papers:

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Nil

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Chief Executive