

TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

01 February 2016

Report of the Chief Executive

Part 1- Public

Delegated

1 PAY AWARD 2016

Summary

This report requests Members to give consideration to the matter of a pay award for employees for 2016/17.

1.1 Introduction

1.1.1 Council employees have a term in their contracts which provides that their 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 The last increase in employees' salaries was an award of 1% in April 2015.

1.1.3 This report considers a range of factors that are relevant to the issue of a pay award for 2016/17.

1.2 Prevailing Economic Conditions

1.2.1 Whilst the UK economy continues to show signs of recovery, most economic commentators continue to predict that the rate of growth for the foreseeable future will be slow, not least because of the impact of the Government's on-going reductions in public expenditure.

1.2.2 Members will also be aware of the on-going requirement of the Medium Term Financial Strategy to make savings of approximately £1.9M over the next three years.

1.2.3 The National Living Wage comes into force from 1st April, although this will have a minimal effect for this Council until 2020.

1.2.4 The Council is also having to pay an additional 3.4% in National Insurance contributions from 1st April for those employees (the majority) who contribute to the Local Government Pension Scheme, which will require additional funding,

owing to the withdrawal of the 'contracting out' of the State Earnings Related Pension Scheme (SERPS).

1.3 **Comparative Pay Settlements**

1.3.1 All Kent Authorities are currently considering the issue of a pay award within the context of the continued Government's expectation of a 1% cap on public sector pay. Those Councils that are not tied to the nationally agreed pay scales are currently considering increases averaging 1% for 2016/17, with some considering a 2% increase over 2 years. Sevenoaks, Gravesham and Medway remain tied to the national collective bargaining process, with an employee-side claim for the Living Wage which has, so far, been rejected by the employer-side.

1.4 **Retail Price Index**

1.4.1 The RPIJ (the amended "Jevons" RPI measure) rate of increase in November was 0.3% (an increase from 0% in October 2015) and the Government's preferred measure of inflation, the Consumer Price Index (CPI), was 0.1%. Economic analysts' forecasts for CPI over the next 12 months show a small rise to 1% in 2016, rising to 2% by 2020 (Office for Budget Responsibility: Economic and fiscal outlook November 2015).

1.5 **General Discussion**

1.5.1 The factors that are relevant to a consideration of a pay award have been identified in the previous sections of this report.

1.5.2 The current rate of inflation suggests that a pay award is not necessary but it is important to recall that, in the past few years, pay awards have been limited and have not kept pace with pay awards elsewhere, particularly in the private sector. An overriding imperative for the Council is to contain its expenditure on salaries in order to retain a stable employment position that, in turn, will be to the overall benefit of staff, continue the delivery of good quality services and help to achieve a balanced budget. Maintaining our ability to recruit and motivate staff with the appropriate skill sets to meet the employment challenges ahead is also of vital importance.

1.5.3 A pay award of 1% will be 'swallowed' for the majority of staff, by the removal of pension scheme 'contracting out' of SERPS (referred to in 1.2.4).

1.5.4 The Council's employees have been fully informed of the financial challenges facing the Council, via both the JECC and through Unison.

1.5.3 Discussions have taken place with Unison as to the proposals within this paper. Following consultation with their Members, Unison have submitted their pay claim as follows –

- A 3% consolidated increase;
- A lump sum payment of £500;
- An underpinning hourly rate of £8.25 (Living Wage Foundation Living Wage)

1.5.4 A provision for a pay award in 2016/17 was made in the Medium Term Financial Strategy in line with the Government's 'cap' on public sector pay, and I feel that it continues to be appropriate to consider a measured award in recognition of the continuing efforts of staff to 'do more with less'. In addition, an award, albeit modest, would reinforce a message of support and encouragement to our staff who continue to face significant challenges in dealing effectively with the implications of overall cost reduction through re-structuring, shared services, deletion of posts and the prospect of future change.

1.5.4 Taking all the above into account, for an award to have any impact for staff whilst observing the government's 'cap', it seems reasonable to consider a two year award with the total increase 'up front', thereby sending a positive message to both current and future staff, whilst staying within budget.

1.2 Legal Implications

1.2.1 The Council has 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 either the RPIJ or the CPI.

1.3 Financial and Value for Money Considerations

1.3.1 I believe that the recommended two year pay award for 2016/17 is an appropriate response in the light of the Council's budget position.

1.3.2 Financial provision in the Medium Term Financial Strategy, assumes a 1% pay award per annum (in line with the Government's 'cap'). The recommended award over two years would therefore be 'within budget'.

1.4 Risk Assessment

1.4.1 I see no significant risk in the recommendation. However, the Council will need to closely monitor movements in pay awards in future years not only amongst neighbouring authorities but also in the private sector as there is a slight risk that some staff, whom it may be in the Council's interest to retain for the future, may be attracted to the potentially higher rewards elsewhere.

1.5 Equality Impact Assessment

1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Policy Considerations

1.6.1 Human Resources

1.6.2 It is appropriate to note that, according to the Members' Allowances Scheme, Member's allowances are increased in line with the staff pay award.

1.7 Recommendations

1.7.1 I RECOMMEND a 2% pay award over two years, from 1 April 2016, with the next pay review not then due until 1st April 2018.

Background papers:

contact: Julie Beilby

Nil

Julie Beilby
Chief Executive