

# TONBRIDGE & MALLING BOROUGH COUNCIL

## GENERAL PURPOSES COMMITTEE

29 January 2018

### Report of the Chief Executive

#### Part 1- Public

#### Delegated

## 1 PAY AWARD 2018

### Summary

This report requests Members to give consideration to the matter of a pay award for employees for 2018/19 and recommends an award of 2%.

### 1.1 Introduction

1.1.1 Council employees 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 The last increase in employees’ salaries was an award of 2% in April 2016.

1.1.3 This report considers a range of factors that are relevant to the issue of a pay award for 2018/19.

### 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 need to make savings, or generate new income, in the context of the Medium Term Financial Strategy and the Savings and Transformation Strategy. At the Finance, Innovation and Property Advisory Board on 3 January, it was noted that the funding gap was now in the region of £1 million.

1.2.3 The National Living Wage came into force from 1<sup>st</sup> April 2016, although this will have a minimal effect for this Council until 2020.

1.2.4 The Council has also had to pay an additional 3.4% in National Insurance contributions from 1st April 2016 for those employees (the majority) who

contribute to the Local Government Pension Scheme, which has required 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. Those Councils that are not tied to the nationally agreed pay scales are currently considering increases between 1 and 2% for 2018/19. Sevenoaks, Gravesham and Medway remain tied to the national collective bargaining process.

### **1.4 Retail Price Index**

- 1.4.1 The RPI rate of increase in November was 3.9% and the Government's preferred measure of inflation, the Consumer Price Index (CPI), was 3.1%. Economic analysts' forecasts for CPI over the next 12 months show a small decrease to 2.4% in 2018, falling further to 2% by 2020 (Office for Budget Responsibility: Economic and fiscal outlook November 2017).

### **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 appropriate and it is important to recall that, in the past few years, pay awards have been limited and have not kept pace with inflation or 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 The Council's employees have been fully informed of the financial challenges facing the Council, via both the JECC and through Unison.
- 1.5.4 Nationally, the Employee side has made a claim for 5% which was rejected by the Employer side. The Employer side has broadly offered 2% in 2018/19 and 2019/20 (plus some other adjustments at the lower end of the scale), but agreement has yet to be reached.

- 1.5.5 Provision for pay inflation has been made in the Medium Term Financial Strategy roughly in line in line with the national Employers' offer (i.e. 2%)
- 1.5.6 I feel that it is 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
- 1.5.7 It is important from a recruitment and retention point of view – particularly for those with professional skills - that we do not fall behind other authorities. Therefore, I recommend, that an award of 2% is offered to staff for 2018/19 in line with the national offer for 2018/19. As mentioned at paragraph 1.5.4, however, Members will note that agreement has not yet been reached as to the national offer. If this were to significantly change, I would recommend that I bring this matter back to General Purposes Committee for a further review.
- 1.5.8 UNISON locally have been informed of the Council's likely pay offer and have yet to comment.

## **1.6 Legal Implications**

- 1.6.1 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 RPI or the CPI.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 I believe that the recommended award for 2018/19 is an appropriate response in the light of the Council's budget position.
- 1.7.2 Financial provision in the Medium Term Financial Strategy assumes 2% pay inflation and a 2% award would, therefore, be 'within budget'.
- 1.7.3 It is appropriate to note that, according to the Members' Allowances Scheme, Member's allowances are ordinarily increased in line with the staff pay award. However, at the General Purposes Committee in March 2017 (GP 17/4 refers), Members agreed that indexation should not apply during the 'interim period' (i.e. until the Borough Council elections in 2019).

## **1.8 Risk Assessment**

- 1.8.1 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.

## **1.9 Equality Impact Assessment**

1.9.1 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.

## **1.10 Policy Considerations**

1.10.1 Human Resources

## **1.11 Recommendations**

1.11.1 I **RECOMMEND** a 2% pay award, from 1 April 2018.

Background papers:

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Nil

Julie Beilby  
Chief Executive