

TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

28 January 2019

Report of the Chief Executive

Part 1- Public

Delegated

1 PAY AWARD 2019

Summary

This report requests Members to give consideration to the matter of a pay award for employees for 2019/20.

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 2018.

1.1.3 This report considers a range of factors that are relevant to the issue of a pay award for 2019/20.

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 and transformation contributions in the context of the Medium Term Financial Strategy and the Savings and Transformation Strategy. As reported to the Finance, Innovation & Property Advisory Board on 9 January, the latest projected ‘outstanding’ funding gap is in the region of £550,000; although this could change again once the outcome of the Fair Funding Review is known later in the year.

1.2.3 The National Living Wage for those over 24 years of age will rise by 4.85% in 2019/20 to £8.21p.

1.2.4 The Council continues to have to pay the 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. The majority of Councils that are not tied to the nationally agreed pay scales are currently considering increases of up to 2.8% for 2019/20. 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 3.2% and the Government's preferred measure of inflation, the Consumer Price Index (CPI), was 2.3%. The Office for Budget Responsibility's Economic and fiscal outlook (November 2018) predicts CPI will be about 2% in 2019.

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 necessary but it is important to recall that, in recent past, 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, in 2018, following negotiation, a 2% increase to the salary scale was agreed for 2018/19 and 2019/20. Additionally there were some other adjustments at the lower end of the scale.

1.5.5 Provision for pay award inflation for 2019/20 has been made in the Medium Term Financial Strategy at 3%.

- 1.5.6 I feel that it is appropriate to consider an award that recognises the continuing efforts of staff to 'do more with less'. In addition, an award slightly above what might be considered as 'inflationary' will 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 both the past 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 2.5 % is offered to staff for 2019/20 in line with other Kent councils with whom we compete in the recruitment market.
- 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 RPIJ or the CPI.

1.7 Financial and Value for Money Considerations

- 1.7.1 I believe that the recommended award for 2019/20 is an appropriate response in the light of the Council's budget position.
- 1.7.2 Financial provision in the Medium Term Financial Strategy has made provision for a ceiling of a 3% pay award for 2019/20 and therefore 2.5% would be 'within budget'.

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 The recommended pay award is consistent with the Pay Policy Statement.

1.10.2 It is appropriate to note that, according to the Members' Allowances Scheme, Member's allowances are normally increased in line with the staff pay award. However, as Members Allowances are effectively being 're-set' after the Borough Council elections in May, this will not be applicable in 2019/20 (GP Committee 6 March 2017 and subsequently Full Council 11 April 2017 minute reference C17/25).

1.11 Recommendations

1.11.1 I RECOMMEND a 2.5% pay award, from 1 April 2019.

Background papers:

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Nil

Julie Beilby
Chief Executive