

TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

27 January 2020

Report of the Chief Executive

Part 1- Public

Delegated

1 PAY AWARD 2020

Summary

This report requests Members to give consideration to the matter of a pay award for employees for 2020/21.

1.1 Introduction

1.1.1 Council employees have a term in their contracts which reads “Salaries 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.” In other words this Council determines its own pay awards, and is not tied into the national process of collective bargaining.

1.1.2 The last increase in employees’ salaries was an award of 2.5% in April 2019.

1.1.3 This report considers a range of factors that are relevant to the issue of a pay award for 2020/21.

1.2 Prevailing Economic Conditions

1.2.1 The UK economy is showing some signs of slowing down, and most economic commentators continue to predict a degree of uncertainty in the foreseeable future.

1.2.2 Members will 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 8th January the latest projected ‘outstanding’ funding gap is in the region of £320,000 although this could change again once the outcome of the expected multi-year local government finance settlement and Fair Funding Review is known later in the year.

1.2.3 On 31 December 2019, in response to the Low Pay Commission’s recommendations on the National Minimum (NMW) and the National Living (NLW)

Wages, the Government announced that the NLW for those over the age of 25 will significantly rise by 6.2% on 1 April 2020 to £8.72 per hour (the current hourly rate is £8.21). This has a marginal impact on this Council's salary scales in that our current scale 1 consists of two spinal column points (309 and 310); assuming a 2.5% pay award spinal column point 309 would fall below the NLW. Therefore, assuming a 2.5% pay award, from 1 April salary scale 1 will consist of just one spinal column point – 310.

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 At the time of writing, no Kent Authorities have settled their pay awards for 2020/21. We understand that three are proposing increases between 2% and 3% for 2020/21. Sevenoaks, Gravesham and Medway remain tied to the national collective bargaining process.

1:3:2 It may be helpful to Members of this Committee to provide a 10 year historical context for the current recommended pay award. In 2009 the award was 2% with effect from 1 October 2009; in 2010, 2011, and 2012 there were no pay awards and salaries remained "frozen" at the 2009 level, in June 2013, April 2014 and April 2015 there were pay awards of 1%; an award of 2% over 2 years was made for the period April 2016 to March 2018, the award for 2018/19 was 2%, and for 2019/20 it was 2.5%.

1:3:3 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. In June 2019, the union side submitted a claim for a 10% wage increase, an additional day's leave, and a 2 hour reduction in the working week. The employers' side has said they are unlikely to respond to the claim until the new year (Municipal Journal 14.11.2019).

1.4 **Retail Price Index**

1.4.1 The RPI rate of increase in November 2019 was 2.2% and the Government's preferred measure of inflation, the Consumer Price Index (CPI), was 1.5%. The latest (November 2018) Office for Budget Responsibility's economic and fiscal outlook predicted CPI to return to 2% by 2020.

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. 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, particularly in the face of stiff 'competition' with private sector remuneration levels in several professions.
- 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 Provision for pay award inflation for 2020/21 has been made in the Medium Term Financial Strategy at 2.5%.
- 1.5.5 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.
- 1.5.6 It is important from a recruitment and retention point of view (particularly for those with professional skills) that we do not fall significantly behind. Therefore I recommend that an award of 2.5% is offered to staff for 2020/21 in order to maintain a competitive position with other employers in the recruitment market.
- 1.5.7 UNISON locally have been informed of the Council's likely pay award and have not raised any objections.

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 2020/21 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 a 2.5% pay award and would therefore 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 Human Resources

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.

1.11 Recommendations

1.11.1 I RECOMMEND a 2.5% pay award, from 1 April 2020.

Background papers:

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Nil

Julie Beilby
Chief Executive