

TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

02 February 2015

Report of the Chief Executive

Part 1- Public

Delegated

1 PAY AWARD 2015

Summary

This report requests Members to give consideration to the matter of a pay award for employees for 2015/16; and recommends a 1% pay award effective from 1 April 2015 subject to final ratification of the Council's 2015/16 budget by Full Council.

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 in June 2014 of 1%, backdated to 1st April 2014.
- 1.1.3 This report considers a range of factors that are relevant to the issue of a pay award for 2015/16.

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 £1.5M over the next four years.

1.3 Comparative Pay Settlements

- 1.3.1 Kent Authorities are currently considering the issue of a pay award within the context of the continued Government's continued expectation of a 1% cap on public sector pay.
- 1.3.2 Those Councils that are not tied to the nationally agreed pay scales are currently considering increases averaging 1% for 2015/16.
- 1.3.3 Sevenoaks, Gravesham and Medway remain tied to the national collective bargaining process which, following protracted negotiations, resulted in agreement being reached on a 'two year' pay award which it is reportedly worth 2.2% overall. The agreement will be implemented from 1st January 2015 and will run until 31st March 2016.
- 1.3.4 By way of context, latest UK Labour Market Statistics published by the Office for National Statistics show that average earnings in the UK (covering both private and public sector pay inflation) increased by 1.4 per cent in the year to October 2014.

1.4 Retail Price Index

- 1.4.1 The latest inflation figures have very recently been published. The long-standing measure of UK inflation, RPI, stood at a rate of 1.6% for December 2014 and the RPIJ (the amended "Jevons" RPI measure) rate of increase in December was 1%.
- 1.4.2 The Government's preferred measure of inflation, the Consumer Price Index (CPI), reduced to 0.5% in December 2014, its lowest level for many years. In November, the figure had been 1%.
- 1.4.3 According to Economic analysts, inflation is expected to stay around 1.0% over the next 12 months.

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. The impact of pay restraint over a number of years and the current rate of inflation favours a similar level of pay award.
- 1.5.2 However, the 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. It is worth adding that in the current financial climate the Council has effectively no options for raising the revenue that would be required to fund an 'inflation-proof' pay award that would not impact adversely on council tax payers and those who pay for the use of Council services.

- 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 A provision for a pay award in 2015/16 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', particularly given the awards being considered elsewhere in Kent and the National Employers settlement.
- 1.5.5 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 shared services, deletion of posts and the prospect of future change as the transformation agenda is expanded.

1.6 Legal Implications

- 1.6.1 The Council has a contractual requirement to review our salary levels annually but has no obligation to increase them by any set amount or in response to movement in the RPI, RPIJ or the CPI.

1.7 Financial and Value for Money Considerations

- 1.7.1 I believe that the recommended 1% pay award for 2015/16 is an appropriate response in the light of the Council's budget position.
- 1.7.2 Financial provision in the Revenue Budget for 2015/16, subject to confirmation by Full Council, assumes a 1% pay award (in line with the Government's 'cap'). The recommended 1% award 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 of the private sector.

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**, subject to final ratification of the Council's 2015/16 budget by Full Council, a 1% pay award for the 2015/16 financial year, payable from 1 April 2015.

Background papers:

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Nil

Julie Beilby
Chief Executive