

General Purposes Committee

22 January 2025

Part 1 - Public

Delegated



Cabinet Member	Not Applicable
Responsible Officer	Damian Roberts, Chief Executive
Report Author	Mathew Brooks, Head of HR & Development

Pay Award 2025/26

1 Summary and Purpose of Report

- 1.1 This report provides Members with information to determine the Council's pay award for employees for 2025/26.

2 Corporate Strategy Priority Area

- 2.1 Efficient services for all our residents, maintaining an effective council.
- 2.2 Ensuring that the Council's pay remain competitive with neighbouring Councils and those within the wider job market, should ensure that the Council can successfully recruit and retain staff with the appropriate skillset to deliver the Council's priorities.

3 Recommendations

- 3.1 To apply a pay award of 3% to all salary scales with effect from 1 April 2025.
- 3.2 To delete salary scales 1 and 2 from the Council's pay scale.

4 Introduction and Background

- 4.1 All 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.*" This Council determines its own pay awards, and is not tied into the national process of collective bargaining.

4.2 The last increase in employees' salaries on 1 April 2024 was an award of £1,900 paid to all spinal column points for staff graded on scales 1-6 and to Senior Officer (SO) grades. A flat rate of 5% was paid to all staff on M Grades.

4.3 This report considers a range of factors that are relevant to the issue of a pay award for 2025/26 and provides Members with information to consider in determining the pay award for employees.

4.4 **Prevailing Economic Conditions**

4.4.1 Members will be aware of the on-going need to make savings and transformation contributions in the context of the Medium-Term Financial Strategy. The Council still faces a significant funding gap over the 10-year period of the MTFs.

4.4.2 A factor that Members will need to consider this year in determining a pay award is a further, above inflation rise of the National Living Wage (NLW) from 1 April 2025. The Government has announced that the NLW will rise by 6.7% on 1 April 2025, from £11.44 per hour to £12.21 per hour, an increase of £0.77 per hour.

4.4.3 The Council has a legal obligation to not pay below the NLW. If a pay award is not awarded, then it must be noted that some form of pay increase will have to be applied to the Council's spinal column points (**Annex 1 Current TMBC Pay Scales 2024/25**) 313-316 to ensure staff on these grades do not fall below the NLW from 1 April 2024 or these staff will need to be moved to scp 317 in order to ensure they do not fall below the NLW.

4.4.4 The most recently published Retail Price Index (RPI) rate (in November 2024) was 3.6% and the Consumer Price Index (CPI) most recent published figure (in November 2024), was 2.6%.

4.5 **Comparative Pay Settlements**

4.5.1 At the time of writing, no Kent Authorities have settled their pay awards for 2025/26, and most are engaged in ongoing negotiations.

4.5.2 There is no indication as yet of what the national pay award (NJC) offer for 2025/26 will be. The national pay award for 2024/25 was only agreed in November 2024 and backdated to 1 April 2024. The agreed pay award was a flat rate of £1,290 applied to all pay grades. This award equated to between 2.55% - 5.7% increase depending on the salary.

4.5.3 In December 2024, Government departments have recommended a pay rise of 2.8% for millions of public sector workers including teachers, NHS staff and senior civil servants next year. The recommendations will now be considered by the various different public sector pay review bodies.

4.5.4 It may be helpful to Members of this Committee to provide a historical context in terms of recent pay awards.

- 4.5.5 From 2010-2012 there were no pay awards and salaries remained “frozen” at the 2009 level. From 2013-2015 there were pay awards of 1%; an award of 2% over 2 years was made for the period April 2016 to March 2018.
- 4.5.6 The award for 2018/19 was 2%, for 2019/20 and 2020/21 the award was 2.5%, for 2021/22 it was 1% and for 2022/23 it was 2%. The pay award for 2023/24 was 5%. The pay award for 2024/25 was £1,900 for staff on scale 1 to SO and 5% for M grade staff.

5 Proposal

- 5.1 The cost of living and Public Sector pay has continued to be a very high-profile topic throughout 2024.
- 5.2 Although the rate of inflation has fallen significantly over the last twelve months, the current rate of inflation suggests that a pay award is necessary.
- 5.3 The trade union, UNISON, submitted their claim to the Chief Executive and the Director of Central Services & Deputy Chief Executive in January 2025. UNISON's pay claim for 2025/26 can be found in full, in Annex 2 of this report.
- 5.4 UNISON's pay claim for 2025/26 is to pay all salary points and allowances an increase of 6% or a flat rate of £2,400, whichever is the higher. In addition, UNISON have requested that Council aligns its lowest spinal column point with the Real Living Wage. The Real Living Wage is £12.60 per hour.
- 5.5 The cost of implementing UNISON's pay claim is £913,000, which is an additional £510,000 above the provision the Council has made for pay award inflation for 2025/26
- 5.6 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, retain and motivate staff with the appropriate skill sets to meet the Council's priorities and future challenges ahead is also of vital importance.
- 5.7 Provision for pay inflation for 2025/26 has been made in the draft Revenue Estimates for 2025/26 (being presented to the Overview and Scrutiny Committee on 23 January) of £403,000. If an equal percentage was paid to all staff, then this would equate to a pay award of 3% to all staff.
- 5.8 I feel that it is appropriate to consider an award that recognises the continuing efforts of staff at all levels to 'do more with less'. An award will reinforce a message of support and encouragement to our staff.

5.9 It is also important from a recruitment and retention point of view, with national skill shortages across key professional areas that the Council does not fall significantly behind other employers.

5.10 I recommend that a 3% pay award to staff for 2025/26 in order to maintain a competitive position with other employers in the recruitment market.

5.11 Impact of a 3% pay award

5.11.1 If Members were minded approving the recommendation of a 3% pay award then it will ensure that all staff receive an equitable pay award. Historically, this has always been the Council's preferred approach.

5.11.2 A 3% pay award will ensure that the pay award remains within the provision the Council has made for pay inflation.

5.11.3 The National Living Wage rising by 6.7% to £12.21 per hour from 1 April 2025 will impact on the Council's grades at the lower end of the salary scales.

5.11.4 Applying a 3% pay award to scales 1, 2 and the first spinal column point (spc) of scale 3 (spc 314) from April 2025 will not be sufficient to lift these grades above the National Living Wage amount of £12.21 as shown in the table below:

Scale	Spinal Column Point	Current Annual Salary	Current Hourly Rate	Hourly Rate wef 1/4/2025 with 3% award
2	313	22,128	11.47	11.81
3	314	22,536	11.68	12.03
	315	22,980	11.91	12.27
	316	23,496	12.18	12.54
	317	24,051	12.47	12.84
4	318	24,495	12.7	13.08
	319	25,365	13.15	13.54
	320	26,241	13.6	14.01
	321	27,159	14.08	14.50

5.11.5 The National Living Wage has risen significantly in recent years in response to The Low Pay Commission's (LPC) remit of ensuring that the NLW meets its target of 66% of median earnings. This target was met in 2024 and in September 2024, the government gave the LPC a new remit to ensure the NLW doesn't fall below 66% of median hourly earnings.

- 5.11.6 The above inflation rise of the NLW over the past four years has impacted on the Council's salary scales. The Council has not been able to use its scale 1 for the past three years and only one point of scale 2 currently sits above the NLW.
- 5.11.7 As detailed above, the Council approved a two-tier pay award in 2024/25 in order to maintain the Council's pay structure and keep scale 2 above the NLW.
- 5.11.8 It is not my recommendation to keep proposing a two-tier pay award as a response to the National Living Wage. An increasing number of Councils have simply deleted their lower graded spinal columns points and adjusted where they place staff on their grades accordingly.
- 5.11.9 The Council has utilised scale 1 and 2 in the past for lower skilled basic clerical and operative roles. The Council has just three members of staff on scale 1 and four members of staff on scale 2.
- 5.11.10 From 1 April 2025, it is proposed to fully delete the existing scales 1 and 2 and the first spinal column point of scale 3 as this would fall below the NLW following a 3% pay award.
- 5.11.11 This would mean that the 3 members of staff on scale 1 would move to the second point of scale 3 (spc 315) and the four members of staff on scale 2 would move to the third point of scale 3 (spc 316). These would be classed as a 'spot salary' points meaning they would not progress further up the spinal column point for scale 3.
- 5.11.12 All staff currently on scale 3 would be moved to the top of scale 3, spc 317.
- 5.11.13 This proposal ensures that there is still a pay differential between the small numbers of staff on scales 1 and 2 with staff on scale 3.

6 Other Options

- 6.1 An alternative option for consideration is to offer a two-tier pay award, similar to what was agreed for 2024/25 pay award.
- 6.2 A fixed pay award of £1,200 could be paid to staff from scale 1 to scale 6 and to staff on the Senior Officer (SO) grade. All staff on M grades would receive a fixed 3% pay award.

As the table below shows, this would result in a pay award of between 5.32% - 3.01% for scale 1 to SO grades.

Scale	Spinal Column Point	Current Annual Salary	Current Hourly Rate	1/4/2025 £1200 pay award	Hourly Rate £1200 pay award	% Increase £1200
2	313	22,128	11.47	23,328	12.09	5.42
3	314	22,536	11.68	23,736	12.30	5.32
	315	22,980	11.91	24,180	12.53	5.22
	316	23,496	12.18	24,696	12.80	5.11
	317	24,051	12.47	25,251	13.09	4.99
4	318	24,495	12.70	25,695	13.32	4.90
	319	25,365	13.15	26,565	13.77	4.73
	320	26,241	13.60	27,441	14.22	4.57
	321	27,159	14.08	28,359	14.70	4.42
5 (top of scale)	325	30,375	15.74	31,575	16.37	3.95
6 (top of scale)	328	33,297	17.26	34,497	17.88	3.60
SO (top of scale)	334	39,909	20.69	41,109	21.31	3.01
M9 (bottom of scale)	111	40,587	21.04	41,805	21.67	3.00*
*all further M grades to M1 to receive 3% pay award						

- 6.3 This option gives lower paid staff a higher percentage pay award up to a very small differential to M grade staff, 3.01% at the top of the SO grade compared to 3% at the bottom of the M9 grade.
- 6.4 Until the current financial year, the Council has previously always favoured an equal percentage pay award paid to all staff. This option pays M grade staff a smaller percentage pay award compared to staff on the main pay scale.
- 6.5 The main reason for not recommending this two-tier option is that it would cost an additional £47,000 above the budgeted provision for pay inflation and would not achieve the goal of being perceived as fair to all Council employees.

7 Conclusion

- 7.1 The determination of a pay award for 2025/26 is driven by three key factors – the need to maintain the Council's ability to recruit and retain staff in a highly competitive environment, particularly for professional roles, the need to comply

with the revised National Minimum Wage, and the need for a pay award that recognises the contribution of all staff in the Council.

- 7.2 In addition, there are significant risks associated with awarding disproportionately lower percentage pay awards to M grade staff where the Council faces the greatest recruitment and retention challenges and compromises the integrity of the Council's formal pay structure.
- 7.3 I think it is appropriate to look to delete our current scales 1 and 2 regardless of which of the proposed options Members choose.
- 7.4 I am also conscious that the Council has made provision for pay inflation within the draft Revenue Estimates 2025/26 of £403,000.
- 7.5 The most equitable option remains to award all staff the same percentage pay award of 3% regardless of their grade.

8 Financial and Value for Money Considerations

- 8.1 A flat rate 3% pay award to all staff, would cost £403,000. This would not cost above the provision the Council has made for pay award inflation for 2025/26 and would therefore be 'within budget'.
- 8.2 To award staff a two-tier pay award, pay £1,200 to staff on scales 1-SO and M Grade staff 3% would cost an additional £47,000 above the provision the Council has made for pay award inflation for 2025/26.
- 8.3 Members allowances will also rise in-line with the agreed percentage of the staff pay award.

9 Risk Assessment

- 9.1 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 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.
- 9.2 The Council lists recruitment and retention issues on the Strategic Risk register. If a below inflation pay award is given to staff this could increase the level of risk to the Council.

10 Legal Implications

- 10.1 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.

11 Consultation and Communications

11.1 The Council has engaged with colleagues from UNISON and has considered their proposal for the 2025/26 pay award.

11.2 The Council does not require formal agreement through consultation with either UNISON or any other trade union in order to determine its pay award.

12 Implementation

12.1 The pay award will be implemented on 1 April 2025.

13 Cross Cutting Issues

13.1 Climate Change and Biodiversity

13.1.1 A moderate source of emissions is likely to be maintained at current levels or increased.

13.1.2 Climate change advice has not been sought in the preparation of the options and recommendations in this report.

13.2 Equalities and Diversity

13.2.1 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.

13.3 Other If Relevant

- Human Resources
- Business Continuity / Resilience

13.3.1 Human Resources – Pay Policy statement.

13.3.2 Business Continuity / Resilience – a pay award of 3% is being recommended to ensure that pay remain competitive both with neighbouring Councils and the wider job market to ensure the Council can successfully recruit and retain staff with the appropriate skillset to deliver the Council’s priorities.

Background Papers	None
Annexes	Annex 1 – 2024/2025 salary scales Annex 2 – UNISON pay claim for 2025/26