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To: Personnel Committee **Date:** 25 January 2012

Subject: Local Pay Bargaining – 2012/13

Classification: Unrestricted

Summary: This paper provides a summary of the position for this year's Local Bargaining process. Endorsement of the proposed increase is sought from Personnel Committee, prior to that from full Council.

1. BACKGROUND

- 1.1 Consultation began in September 2011 for what is now our well established local pay bargaining process. The continuing difficult financial climate together with the challenges Kent County Council face now and in the medium term have been key factors in the discussion with our recognised Trade Unions.
- 1.2 There was no national award last year, on the basis that it was 'unaffordable'. This year the Trade Unions' national submission is for a "substantial" settlement, however there is no explicit request for improved terms and conditions or priority to the lower paid. No response has yet been formally made by the Employers' side. It has been suggested that there is a mixed view of whether there should be no award or that a third year of pay freeze is not sustainable. The national position is unlikely to be any clearer before either Personnel Committee or County Council.
- 1.3 Inflation rates have been relatively high for some time, with the Consumer Price Index (CPI) currently at 4.8% and the Retail Price Index (RPI) slightly higher at 5.2%. According to forecasts from HM Treasury and Industrial Relations Service (IRS) these are expected to reduce to 2.2% and 2.9% respectively for 2012. Attached in Appendix 2, Table 1, is an illustration of RPI and CPI levels for the past 6 years.
- 1.4 The current rates of inflation in Table 1 together with the relative analysis of awards for the past 3 years between Kent and the National Joint Council are attached in Table 2, as Appendix 1.

- 1.5 Though the recent industrial action was initiated as a result of the proposed Pension scheme changes, there is a view that in fact it is a result of a culmination of factors; job security, terms and conditions changes, higher rates of inflation and 2 years of pay freeze as well as an increased pressure on fewer staff.
- 1.6 Approximately two thirds of employees will be eligible for pay progression under Total Contribution Pay, our new progression scheme based upon performance. As agreed a principle of the revised scheme was the funding level which was to be the same as the former increment system. This has a total value of 1.8%, albeit distributed to all staff, including those at the tops of their grades and according to levels of assessed performance. It is the top of the grade is the "rate for the job". In Table 2 of Appendix 2 is an illustration of the comparative position our 'tops of grades' have with the public sector.
- 1.7 The Chancellor has recently announced that Public Sector pay awards are to be a maximum of 1% when the current "freeze" comes to an end. Whilst not binding on Local Government or our own local bargaining it is a clear illustration of the context we are operating within. It is also recognised that there have been 2 consecutive years of 0%, though progression pay via Total Contribution Pay has been maintained.
- 1.8 Due to the circumstances described above it is proposed that there be a cost of living award of 1% for all, without any "loading" to any particular category of employee.

2. LOCAL PAY BARGAINING RESPONSE

- 2.1. The Trade Union local submission this year was a reflection of the national submission in that they seek a 'substantial settlement'. They have also requested that there be no further detrimental changes to terms and conditions of employment and a return to the incremental based pay structure. Consequently this report does not represent a jointly agreed recommendation to Personnel Committee, and discussions with trades unions will continue.

3. FUNDING

- 3.1 There is no explicit budget provision for a cost of living (General award). The cost of a 1% award is circa £3m and would need to come from the £9.097m identified in the draft budget for "emerging pressures".
- 3.2 Following the abolition of the proposed national body for Schools Support Staff, any Kent Scheme Award would also apply to schools based staff employed under Kent Scheme terms and conditions.

- 3.3 A review of terms and conditions of employment is to be used to generate at least £500k savings/contribution toward the 1% from April 2013. The precise terms and implications will be subject to review, consultation and ultimately for Personnel Committee to agree.
- 3.4 Pay progression funding has historically funded within Directorates from staff turnover. However in the current climate and with a reducing workforce over the past and future 12 months this will not be sufficient to fund the committed 1.8% pot. Therefore an additional £2m has been identified in the budget provision for 2012/13.

4. CONCLUSION

- 4.1 A proposed 1% general award does not meet the trade union expectation or predicted levels of inflation, but does take into account the Council's budgetary pressures and challenging economic conditions.

5. RECOMMENDATION

The Personnel Committee agrees to endorse and recommend to Council:

- 5.1 A pay award of 1% for 2012/13.
- 5.2 A savings target of £500k from a review of terms and conditions of employment from April 2013.

Paul Royel
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Appendix 1

Table 1. Current key economic data (Office of National Statistics)

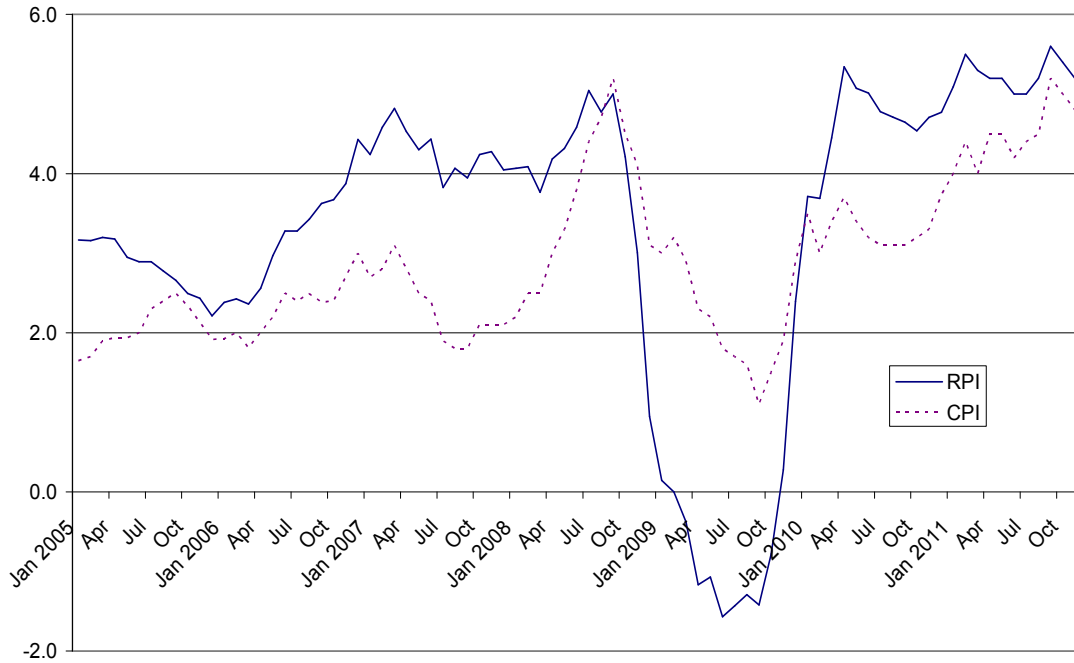
Measure	Rate (%)
RPI	5.2
CPI	4.8
Average Earnings Index (AEI) Whole Economy	2.0
AEI Public Sector	2.1

Table 2. Comparison of National Joint Council (NJC) Cost of Living increases

Scheme	2009/10	2010/11	2011/12
NJC	1.0% (1.25% for under £14k)	0%	0%
KCC	1.0%	0%	0%

RPI & CPI

RPI & CPI - changes over 12 months



KCC Grades vs Hay Pay Data

Comparison of KCC Basic Salaries with a sample of UK Local Government and Public Sector Bodies (Sept 2011)

