

EMPLOYMENT MATTERS COMMITTEE

28 JANUARY 2015

PAY NEGOTIATIONS 2015/16

Report from: Tricia Palmer, Assistant Director, Organisational Services

Author: Tim Silver, Employee Relations Manager

Summary

To present Members with a report on the pay negotiations 2015.

1. Budget and Policy Framework

1.1 This report covers the progress on the annual pay negotiations with the trade unions and makes recommendations to full Council for the payment of an annual cost of living award and performance related payments.

2. Background

2.1 The Council came out of the national agreement in April 2013 and this is the first year of formal negotiations on pay awards with the trade unions. As Medpay was introduced in April 2014 all the funding for increases in pay was allocated to implementing the new pay scheme and no overall cost of living was applied across the board for 2014/15.

2.2 The procedure for pay negotiations was agreed by the trade unions and this committee in February 2013 and is set out in the attached Protocol for annual local pay and conditions negotiations document (Appendix 1). The Council has followed this procedure in its discussion with the trade unions.

3. Protocol

3.1 Progress to date

Action 1: Completed - The Chief Executive and Assistant Director, Organisational Services met with the TU's on 9 September 2014 and outlined the budget situation and the requirement to find around £12m worth of savings. As the budget was being formulated there were no detailed proposals on the savings options. The trade unions were informed that the medium term financial plan was going to Cabinet on

30 September 2014 and this paper would be available to them from 23 September 2014. The funding of a pay award was also discussed and the trade unions were invited to submit their pay claim.

Action 2: Completed - The Assistant Director, Organisational Services and the Employee Relations manager met with the TUs on 21 October 2014 (minutes attached at Appendix 2). At this meeting the trade unions were given the Council's medium term financial plan, which highlighted the deficit of £12m. It was made clear that there was unlikely to be much ability to negotiate around the total pot available for pay given the budget deficit. However there could be room for discussion around the split of the funding between cost of living and performance. The trade unions were invited to consider non-pay elements as part of the negotiations. The trade unions requested information on the level of reserves and the number of casual employees, which was subsequently provided. It was agreed at this meeting that the trade unions would submit their joint pay claim no later than 17 November 2014.

Action 3: Completed. The joint pay claim was received in writing on 5 December 2014 as confirmation of a verbal submission received at a pay negotiation meeting held on 25 November 2014 (minutes attached at Appendix 3). This meeting with the trade unions and Assistant Director and Employee Relations Manager was held to discuss progression on pay negotiations and in particular to invite the unions to submit their formal claim. To that date, the unions had given no indication of their position and the employer's side was anxious to commence more detailed discussions. At that meeting pay, the unions verbally outlined the basis of their claim, which would be based on the current RPI (2.3%) together with an underpinning commitment to meeting the National Living Wage (£7.85 per hour).

Action 4: The Assistant Director, Organisational Services made an initial response to the pay claim at the meeting on 25 November 2014 (see Appendix 3), reiterating the point that the overall pot was likely to be small and no more than 1%. A further discussion was held with the trade unions, the Chief Executive and AD, Organisational Services on 9 December 2014. The Chief Executive outlined in detail the budget pressures and the proposals so far to bridge the gap. He confirmed that Members were committed to providing some funding for a pay award and that priority was to preserve jobs. The trade unions reiterated their point about the living wage and their claim for 2.3%.

Action 5: Completed. JCC held on 19 November 2014 (attached at Appendix 4) and pay negotiation meeting held on 25 November 2014. As the formal claim from the trade unions had not been received by this point and no trade union representations were made at the JCC it was difficult to have a detailed discussion. A further JCC has been booked for 21 January 2015 and the outcome of these discussions will be reported to this Committee.

Action 6: Further discussions will continue with the trade unions at the JCC meetings on 21 and 28 January 2015.

4. The Council's Pay Offer

4.1 As stated previously the TUs have been advised that the council were unlikely to be able to offer any more than a 1% increase to the current bill (a budget increase of c£800K). The TUs have been invited to consider the split of the 1% between a cost of living increase and performance pay and to consider improvements to non-pay elements of the employee remuneration package.

4.2 The proposal from the Council is that of the possible £800k available – 60% will be allocated to cost of living and 40% to performance. In effect this will mean that every-one will receive a rise of 0.6% (providing they are not deemed as underperforming). This leaves £370,205 to be allocated to performance once automatic increments have been honoured. As not everyone will be entitled to a performance payment, either because they are not performing or they are at the top of the grade the value of this payment could be a further 0.7%.

5. Non- Pay Benefits

5.1 Employee Benefits

The Council is continually seeking to enhance its employee benefit provision, and in the current economic climate it is even more important for the Council to offer its employees options for making their salary go further and also to attract, retain and reward staff. As an example, the Council is introducing a “Green” Car Salary Sacrifice Scheme that will provide employees with a new fully maintained and insured car at a lower cost than they could normally achieve in the retail market due to the tax benefits of doing so.

There is already a comprehensive suite of employee benefits provided to Medway employees through the Vectis scheme. These include savings via on-line and high street retail outlets.

5.2. Staff attitudes to reward and recognition

The Employee Engagement Survey 2014 showed that 65% of respondents identified pay as the most important component of their contribution at work being recognised. This was closely followed by formal and informal recognition (63%). The council's arrangements around flexible working hours are considered as very important/important (90%).

A new recognition scheme was launched last year called Make a Difference. The scheme has 9 different categories such as Employee of the Year and Partnership of the Year. Staff can be nominated for an award by officers within the organisation, external partners or customers. Each directorate selects a winner from each of the categories who then go on to the grand final and an overall winner is awarded.

Feedback from staff and senior managers was extremely positive after the awards event, staff felt proud to have been recognised for their efforts.

5.3 Demographics

- * 53% of employees live within the immediate Medway area
- * 72% of all employment applications received in the last six months came from applicants with the wider "ME" postcode

It can be seen then that location is an important factor in retaining and attracting new recruits.

6. The TU joint pay claim (Appendix 5)

6.1 Claim 1 That Medway Council recognises and commits to the National Living Wage for all council employed staff.

Claim 2 An across the board pay increase of 2.3% (current RPI).

Whilst the Council is sympathetic to the unions request a further 1.3% (in addition to the 1% on offer) on the pay bill would amount to over £1m and is the equivalent of approximately 50 posts. Furthermore the current CPI is 1.2% (the lowest rate since 2009) and forward predictions indicate that this is likely to fall to 1%.

7. Exceptions

7.1 There are a small number of employees who are engaged under nationally negotiated terms and conditions of employment who are entitled to receive pay increases and automatic incremental pay progression i.e. those engaged under Soulbury, LNFA and NHS (Public and Mental Health) terms. They are therefore not covered by this local arrangement.

8. Financial and legal implications

8.1 The financial implications are shown at paragraph 4.2 and are based on a £800k allocation for pay rises. This figure has been built into the budget proposals.

8.2 It is important that negotiations and decision- making relating to these negotiations follow the council's processes to minimise the risks of any legal challenges.

9. Risk Management

9.1 The risks arising from this report relate to the morale and satisfaction of employees. In these times of austerity it is extremely difficult for the Council to allocate significant funds to pay rises. However we wish to remain a good employer and ensure that employees are committed to

the Council and continue to enjoy working here. However the procedural or legal risks will be minimised as all decisions will be made in accordance with the Council's processes and protocol for managing the annual local pay and conditions negotiations.

10. Recommendation

- 10.1 That the Committee recommend to full Council that £800k is allocated to pay rises and this is distributed in accordance with paragraph 4.2.

Lead officer contact

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Background papers

There are no background papers.

Appendix 1

MEDWAY COUNCIL

PROTOCOL FOR ANNUAL LOCAL PAY AND CONDITIONS NEGOTIATIONS

ACTION	TIMEFRAME
1. Chief Executive updates trade unions on the budget and financial situation.	Early September
2.. The Assistant Director, Organisational Services will invite the trade unions to submit their claim on pay and conditions of service effective from the following 1 st April. The trade unions will be provided with an analysis of the Council's financial position.	By end of September
3. The trade unions will first submit their Joint claim to the Assistant Director, Organisational Services	By end of October
4. The Chief Executive and the Assistant Director, Organisational Services will meet the trade unions to discuss and respond to the claim(s).	During November
5. Further meetings will take place as necessary during November/ December, including a Joint Consultative Committee (JCC)	November/ December
6. (a) Subject to 7 below, if agreement is reached, approval to recommend the agreement to full Council will be sought from the first Employment Matters Committee before the annual budget setting meeting of full Council.	January/ early February
(b) If agreement cannot be reached, the matter will be referred to Joint Consultative Committee (JCC) at which officers will outline the negotiations and the trade unions can respond.	January
(c) Recommendation(s) from the JCC will be reported to the Employment Matters Committee where a decision will be made for recommendation to full Council	Early February
7. Decision made and Budget approved by full Council.	March
8. Any agreed pay award and/or changes to any terms and conditions implemented.	April

Appendix 2

Minutes of the Local Pay and Conditions Negotiations Meeting held at Gun Wharf on 21 October 2014.

Those Present: Tricia Palmer (TP) (Assistant Director, Organisational Services)
Tim Silver (TS) (ER Manager)

Mark Hammond (MH) (Unison, Regional Officer)
Tania Earnshaw (TE) (Unison)
Mike Ongley (MO) (GMB)

Apologies: Malcolm Bonnett (Unite, Regional Officer)

TP confirmed that the meeting was called to meet Action 2 on the agreed protocol.

TP circulated the Council's Medium Term Financial Plan 2014/18, and highlighted a £12m deficit in the FY 2015/2016. This deficit does not include additional financial pressures and does not reflect the current impact of low inflation rates and the impact on business rates. There were drives to reduce overall spend with examples such as Agile Working (allowing for a reduction in the need for office space) and robust procurement protocols.

TP stated that the Council were minded to include an element within the budget for a pay increase to cover both performance related increases (introduced under Medpay) and a cost of living increase.

TP stated that there was unlikely to be any opportunity for negotiation around the size of the overall pay pot but the split of the pot relative to performance and cost of living was open for debate.

TP further invited the Unions to consider non-pay related items as part of their overall pay claim.

TP informed the Unions that Medway were in the final stages of introducing a Car Salary Sacrifice Scheme, and while recognising that there are personal pension and tax implications for employees who take up the scheme there are benefits for both the employee and the Council.

TE asked TP for an update on the current level of the Council's Reserves. TP replied that she did not have that detail to hand but that she would provide TE with the detail outside of the meeting.

There was some discussion around the recent pay negotiations at Norse and that one of the changes at Norse was to move casual employees onto permanent contracts.

TE asked TP to provide information on the current number of casual employees at Medway and the total hours worked by that cohort.

It was agreed that the Unions would submit their joint pay claim no later than 17 November 2014 to meet Action 3 of the agreed protocol and that the meeting would reconvene on the 25 November 2014.

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Tania Earnshaw (TE) (Unison)
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TP confirmed that the meeting was called to meet Action 3 on the agreed protocol.

MH apologised that the Unions had yet to submit their claim but this was mainly due to other diary commitments. TE promised to have the claim submitted early next week.

TP reminded the TU Reps., that it was essential to keep firmly in mind that Action 6 of the negotiation protocol required a report being made to the JCC/EMC at the January 2015 meeting (28 January 2015).

TE reminded TP that questions around the information on Council Reserves had yet to be answered.

TP replied that the Chief Finance Officer would be answering the points raised but that he was currently on annual leave.

TP commented that at the last JCC (19 November 2015), although UNISON and GMB were represented there was little input from them save for a comment from GMB on their expectations on Medway meeting the Living Wage standard, and that this was a missed opportunity for the TU's to present their concerns directly to Members'.

MH asked TP whether a separate JCC could be arranged for early January 2015 with Members' so a full dialogue around pay could be had.

TP agreed to pursue this but reminded MH that this would be mainly dependant on Members' availability.

With the agreement of MO, MH verbally set out the basis of the claim which would be based on the current level of RPI (2.3%) together with an underpinning commitment to meeting the Living Wage (£7.85 per hour).

MH continued that UNISON had surveyed their members' and that there was a strong view that any award should be loaded on Cost of Living and nothing on Performance

TP reminded the Reps., that it was unlikely to be any room for negotiation around the size of the salary increase pot and that pot was likely to be no more than 1% of the current pay bill, but there was some opportunity to influence the split between Cost of Living and Performance.

MO commented that there were large numbers of people leaving the organisation. TP refuted that observations stating that labour turnover was at the bottom end of comparator organisations.

TP further commented that the results of the recent Staff Engagement Survey would further support the view that attitudes towards Medway as an employer and reward and recognition did not support MO's comments.

MH asked if TP would present the results of the survey.

TP commented that she would be happy to share the headlines of the Survey at a future meeting.