

EMPLOYMENT MATTERS COMMITTEE

28 NOVEMBER 2017

PAY NEGOTIATIONS 2018/2019

Report from: Carrie McKenzie, Assistant Director - Transformation

Author: Tim Silver, Acting Head of HR Services

Summary

To present Members with a report on the progress of the pay negotiations for the financial year 2018/2019.

1. Budget and Policy Framework

1.1 This report covers the progress on the annual pay negotiations with the Trade Unions (TU) for the financial year 2018/2019.

2. Background

2.1 The council came out of the national agreement in April 2013 and this is the fourth year of formal negotiations on pay awards with the TU's.

2.2 The procedure for pay negotiations was agreed by the TU's 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 TU's

2.3 The TUs' joint pay claim at Section 4 references the Foundation Living Wage. The Foundation Living Wage is a wage rate calculated by the Living Wage Foundation (LWF) on a basket of goods that the LWF consider to be essential for a healthy, normal family life.

2.3.1 The Foundation Living Wage has no legal status. Instead, minimum wage levels in the UK are determined by the statutory national minimum wage and national living wage and the council has applied these statutory increases as required.

2.4 A Diversity Impact Assessment has been carried out on the pay negotiations, as set out in Appendix 4 to the report.

3. Pay Negotiations Protocol 2018/2019

3.1 Progress to date:

Action 1: Completed - The Chief Executive and the Assistant Director – Transformation met with representatives from the TUs on 26 September 2017. The Assistant Director – Transformation reiterated the requirement for the unions to submit their joint pay claim by the end of October 2017.

Action 2: Completed - The Acting Head of HR Services met with the TUs on 27 September 2017 (an extract of the minutes is attached at Appendix 2). At this meeting, the TUs were given the Council's medium term financial strategy (Appendix 3). The TUs were informed that a 1% budget (c£829k) had been set aside for any pay increases effective from April 2018. That would include any statutory increases to the National Living Wage and National Minimum Wage, increases negotiated nationally to cohorts of staff employed on non-MedPay terms and conditions and any increases resulting from negotiations under the Protocol. The TUs were invited to consider non-pay elements as part of their joint claim and they were reminded that there were extra elements added to last years pay award, where colleagues assessed at Level 1b under the MedPay PDR process were afforded one extra day's annual leave in the leave year ending March 2018, and colleagues who were at the top of their respective pay range (who would have otherwise not received the performance element of the pay award) also received an additional one day's leave..

Action 3: Completed, the details of the pay claim are set out at Section 4 of this report.

Action 4: A meeting with the Chief Executive and the Assistant Director - Transformation and the TUs is to be scheduled.

Action 5: Meetings of the Joint Consultative Committee and Employment Matters Committee are scheduled for 28 November 2017.

A meeting of the Corporate Consultative Committee is scheduled for 12 December 2017.

Action 6: Meetings of the Joint Consultative Committee and Employment Matters Committee are scheduled for 31 January 2018.

Action 7: A meeting of Full Council is scheduled for 22 February 2018.

4. The joint pay claim

4.1 The joint pay claim consists of two elements:

1. A 5% increase on all pay points; and
2. The deletion of all pay points below the Foundation Living Wage of £8.45.

5. Analysis of the joint pay claim

5.1 The pay claim relates to MedPay pay arrangements only and while the joint claim references pay points, members are reminded that MedPay is not based on a pay point system but on staff being paid in accordance with their respective pay range.

5.3 The cost analysis below reflects the effect of the 5% increase before the application of the Foundation Living Wage.

In relation to Claim 1, the costs to implement this equate to c£2.5M excluding on-costs.

In relation to Claim 2, the costs to implement this equates to c£122K excluding on-costs.

5.4 This would raise the minimum full-time equivalent salary to £16,302, which would remove all of MedPay Range 1 and increase the entry level at Range 2 by £970. There are currently 76 colleagues who would benefit from this change.

5.5 The joint claim was made before the Foundation Living Wage was increased from £8.45 to £8.75, further analysis based on this new level would raise the minimum full-time equivalent salary to £16,882, increasing the entry level into Range 2 by a further £579. There are currently 529 colleagues who would benefit from this change. It should be recognised that a greater proportion of these colleagues are engaged on casual contracts.

6. Analysis of Statutory Increases

6.1 In October 2017, Government announced that they were moving the date of the implementation of any annual statutory increase to both the National Minimum Wage (NMW) and National Living Wage (NLW) from October to April each year, with the first of these being April 2018. Current rates will apply until 5 April 2018.

6.2 The announcement by Government of the level of increase to both the NMW and NLW after April 2018 has yet to be made we are therefore unable to provide a cost impact analysis at this stage.

- 6.3 Members are reminded that the level of increase to the NMW last year added £9k to the then current pay bill, with a further £36k added as a consequence to the increase to the NLW, and we can reasonably predict that there will be a similar increase this year.

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 and legal implications of the joint pay claim and the statutory wage increases are shown at paragraphs 5 and 6.
- 8.2 The financial implications of applying a 1% increase to the salary bill equates to c£829k.
- 8.3 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 Employment Matters Committee notes the report, including progress made to date under the Pay Negotiations Protocol.

Lead officer contact

Carrie McKenzie

Assistant Director - Transformation

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Appendices:

1. The Protocol for annual local pay and conditions negotiations 2018/2019
2. An extract from the minutes of the Corporate Consultative Committee
3. An extract from the MTFS Cabinet paper, 26 September 2017
4. Diversity Impact Assessment

Background papers:

None

**PROTOCOL FOR ANNUAL LOCAL PAY AND CONDITIONS NEGOTIATIONS
2018/2019**

	ACTION	TIMEFRAME	COMMENT
1.	The Chief Executive and Assistant Director – Transformation updates trade unions on the budget and financial situation.	26 September 2017	
2.	The Assistant Director – Transformation 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.	September 2017	Agenda item at the CCC meeting scheduled for the 12/9. This meeting was cancelled due to a power failure and evacuation of Gun Wharf. A special CCC was held with Unison and GMB on 27/9, where this action was completed.
3.	The trade unions will first submit their joint claim to the Assistant Director – Transformation	No later than 31 October 2017	
4.	The Chief Executive and the Assistant Director – Transformation will meet the trade unions to discuss and respond to the claim(s).	TBA	
5.	Further meetings will take place as necessary during November/ December, including a Corporate Consultative Committee (CCC), Joint Consultative Committee (JCC) and Employment Matters Committee (EMC).	November 2017 & December 2017	JCC/EMC Meeting scheduled for the 28/11. CCC meeting scheduled for the 12/12.

6.	(a) Subject to 7 below, if agreement is reached, approval to recommend the agreement to full Council will be sought from the first EMC before the annual budget setting meeting of full Council.	February 2018	EMC meeting scheduled for 31/01/2018
	(b) If agreement cannot be reached, the matter will be referred to JCC at which officers will outline the negotiations and the trade unions can respond.	February 2018	
	(c) Recommendation(s) from the JCC will be reported to the EMC where a decision will be made for recommendation to full Council.	February 2018	
7.	Decision made and budget approved by full Council.	February 2018	Full Council meeting on 22/02/2018
8.	Any agreed pay award and/or changes to any terms and conditions implemented.	April 2018	

Extract from the minutes of a special CCC held on

Wednesday 27 September 2017

HR Meeting Room 1, Level 3, Gun Wharf

10:00 – 12:00

Present: Tim Silver (TS) (Acting Head of HR), Tania Earnshaw (TE) (Unison), Mark Hammond (MH) (Unison), Frank Macklin (FM) (GMB), Ruth Du Lieu (RDL) Assistant Director- Front Line Services – Part

Minute taker: Laura Sturges (LS) (HR)

Welcome & Introductions from Tim Silver

It was outlined that this is a special meeting of the CCC following the cancellation of the September CCC due to power failures encountered on the day, and that invitations had been limited to Unison and GMB.

2. Pay Protocol 2018/19

TS referred attendees to the Pay Protocol document that had been circulated ahead of the meeting.

TS stated that Phil Watts was due to attend the last cancelled Corporate Consultative Committee meeting to outline the council's mid-term financial strategy. With this then triggering the commencement of the Pay Protocol which in turn set's the timetable for the negotiation of local pay and conditions for implementation in April 2018. TS shared an extract from the council's mid-term finance strategy paper and invited attendees to comment or ask questions either with TS or to email Phil Watts (Chief Finance Officer).

MH confirmed that the annual meeting with the Chief Executive had been held and that timescales to this years negotiations were discusses and that the council had budgeted for a 1% pay increase with a 60% and 40% split for the Cost of Living and MedPay progression award is anticipated.

TE advised that the use of the Occupational Health room in Gun Wharf had been set aside (other than when scheduled OH appointments were planned), for the TU's to meet with their members. Proposed dates needed to be arranged.

- **Action** – *TE to email TS with regards to use of the Occupational Health room and potential dates*

MH requested use of the Gun Wharf canteen to hold the initial set up session on 11th October.

TS agreed to MH's request and tasked LS to act as the point of contact as the council host.

- **Action** – *LS to arrange a reserved area for GMB and Unison in the Gun Wharf canteen on 11th October.*

Referring to the Pay Protocol document, TS confirmed that Action 1 has been completed following the Annual Meeting with the Chief Executive and the Assistant Director. With regards to Action 2 of the provision to the unions of an analysis of the Council's financial position, TS advised that an extract from the MTFs paper that was presented to Cabinet had been circulated to the TU's and that it was available on the public website. Action 3 stipulates that the joint pay claim is to be received no later than 31 October 2017.

TS asked that the unions send this by email to Carrie McKenzie, and copy in TS. Following that Carrie will engage and respond to the claim. TS gave encouragement to TU's to consider all elements of the remuneration package when formulating their joint claim.

TS continued that there are various opportunities for further dialogue and made reference to the Timeframe and Key dates within the Protocol document and that ad-hoc meetings have been accommodated in previous years.

TS urged the unions to ensure that the dates for the JCC and EMC meetings are in their diaries and that they take the opportunity to attend.

FM made a comment that those at the top of their pay ranges are dis-incentivised and that other Local Authorities were ceasing their performance pay progression schemes whilst Medway continues to champion MedPay.

TE and FM mentioned that significant pay disparity between Medway and other higher-paying Local Authorities, which is a large disincentive. FM mentioned that Social Workers move between here and Kent, subject to inspection reports.

The next Corporate Consultative Committee meeting will take place on Tuesday 12th December 2017, at 10.00 in Room 9, Gun Wharf.

Extract from a Cabinet Paper for a Cabinet Meeting held on 26 September 2017; Medium Term Financial Strategy 2017 - 2022

Our People Strategy

The Council is transforming at pace in terms of how services are delivered and accessed by our residents.

The changing shape of the workforce will enable the council to realise the opportunities that transformational change brings.

- We will need to realign our services, reviewing how they are delivered and structured to capture the efficiencies gained through digitalisation, resulting in a smaller establishment. Our current projections are that through the work of the transformation programme, as services are reviewed the establishment could be reduced by as much as 10% over three years, though much of this reduction will be through natural wastage.
- We will need to train and develop staff within Medway to enable them to adapt and successfully deliver services in the new design and structure. We are committed to succession planning and investing in learning and development of the workforce.

These changes will impact on our Property Strategy, as with increasing levels of remote and home working possible as digital solutions progress, there will be less demand on central office space.

There are significant pressures on staffing costs anticipated; for the purposes of this MTFS we have assumed a pay award resulting in an annual uplift of 1% for staff, however pay awards are agreed following due process and local negotiations with Trades Unions.

In addition the MTFS assumes the impact of the National Living Wage rates, which are projected to rise from the current £7.50 per hour for over 25s to £9.00 per hour by 2021/22. Other pay elements are projected to remain within budgets however, as our pensions actuaries have concluded their revaluation and this has not resulted in a pressure, projections for National Insurance contributions suggest that these costs will remain static over the medium term.

Table 15: Impact of pay award and National Minimum Wage increases

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Business Support (including Public Health) – 1% uplift	0.119	0.120	0.121	0.123
Children and Adults – 1% uplift	0.355	0.358	0.362	0.366
RECET – 1% uplift	0.291	0.293	0.296	0.299
Forecast impact of National Living Wage increases	0.065	0.070	0.075	0.080
Total	0.829	0.842	0.855	0.867

Diversity impact assessment – Appendix 4

TITLE <i>Name/description of the issue being assessed</i>	Pay Negotiations 2018/2019
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DATE <i>Date the DIA is completed</i>	8 November 2017
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LEAD OFFICER <i>Name of person responsible for carrying out the DIA.</i>	Tim Silver Acting Head of HR Services
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1 Summary description of the proposed change

- *What is the change to policy/service/new project that is being proposed?*
- *How does it compare with the current situation?*

The report updates members on the pay negotiations for implementation in April 2018

2 Summary of evidence used to support this assessment

- *Eg: Feedback from consultation, performance information, service user records etc.*
- *Eg: Comparison of service user profile with Medway Community Profile*

TU's are engaged and informed at all stages of the pay negotiations process.

3 What is the likely impact of the proposed change?

Is it likely to :

- *Adversely impact on one or more of the protected characteristic groups?*
- *Advance equality of opportunity for one or more of the protected characteristic groups?*
- *Foster good relations between people who share a protected characteristic and those who don't?*

(insert ✓ in one or more boxes)

Protected characteristic groups	Adverse impact	Advance equality	Foster good relations
Age			X
Disability			X

Diversity impact assessment – Appendix 4

Gender reassignment			X
Marriage/civil partnership			X
Pregnancy/maternity			X
Race			X
Religion/belief			X
Sex			X
Sexual orientation			X
Other (e.g. low income groups)			X

4 Summary of the likely impacts

- *Who will be affected?*
- *How will they be affected?*

There is no impact on any of the protected characteristic groups.

5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

Not applicable

6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

Action	Lead	Deadline or review date
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Diversity impact assessment – Appendix 4

Not applicable

7 Recommendation

*The recommendation by the lead officer should be stated below.
This may be:*

- *to proceed with the change implementing action plan if appropriate*
- *consider alternatives*
- *gather further evidence*

If the recommendation is to proceed with the change and there are no actions that can be taken to mitigate likely adverse impact, it is important to state why.

Not applicable

8 Authorisation

The authorising officer is consenting that:

- *the recommendation can be implemented*
- *sufficient evidence has been obtained and appropriate mitigation is planned*
- *the Action Plan will be incorporated into service plan and monitored*

**Assistant
Director -
Transformation**

Carrie McKenzie

Date

8 November 2017

Contact your Performance and Intelligence hub for advice on completing this assessment

RCC: phone 2443 email: annamarie.lawrence@medway.gov.uk
C&A: phone 1031 email: paul.clarke@medway.gov.uk
BSD: phone 2472 or 1490 email: corppi@medway.gov.uk
PH: phone 2636 email: david.whiting@medway.gov.uk

Send completed assessment to the Corporate Performance & Intelligence Hub (CPI) for web publication