

EMPLOYMENT MATTERS COMMITTEE

24 JANUARY 2023

PAY NEGOTIATIONS 2023/2024

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Summary

To present Members with a report on the progress of the pay negotiations for the financial year 2023/2024.

1. Budget and policy framework
 - 1.1 2023/2024 pay negotiations are a matter for this Committee
 - 1.2 This report covers the progress of the annual pay negotiations with the Trade Unions for the financial year 2023/2024.
2. Background
 - 2.1 This Committee considers all pay negotiations with the Trade Unions (TUs).
 - 2.2 The Council came out of the national agreement in April 2013 and has since then entered formal negotiations on pay awards with the TUs.
 - 2.3 The procedure for pay negotiations was agreed upon 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 will continue to follow this procedure in its discussion with the TUs.
3. Pay Negotiations Protocol 2023/2024
 - 3.1 Progress to date:

Action 1: Completed - The Chief Organisational Culture Officer met with the TUs earlier than normal, given the cost-of-living crisis, on 21st June 2022 (typically September). At this meeting, the Chief Finance Officer gave the TUs an overview of the Council's process to develop the 2023/24 budget, and that there would be a report to Cabinet in October on the Financial Outlook for

2023/24. The Chief Finance Officer advised that Finance are meeting with Cabinet Members and the corporate management team in early July to present early indications of our financial outlook for 2023/24. While in previous years the budget-setting process has begun with a 1% assumption around pay, this year there will be a discussion that will set out the pay claim, recognise the emergency we are facing and ask the Cabinet to determine what assumption we start our budget build process on, recognising 1% will not be enough.

It was explained that whilst we are not assuming 1% the amount will still need to cover any increase resulting from negotiations under the Pay Protocol, any statutory increases to the National Living Wage and National Minimum Wage, as well as increases, negotiated nationally to cohorts of staff employed on non-MedPay terms and conditions.

Action 2: Completed – The Chief Organisational Culture Officer, invited the TU's (Unison and GMB) to submit their joint pay claim by no later than WC 24th October 2022.

Action 3: Completed - The joint pay claim was received on 26th October 2022.

Action 4: Completed - A meeting with the Chief Executive, Chief organisational Culture Officer, and representatives from Unison and GMB was held on 16th November 2022.

Action 5: Completed - Meetings of the Joint Consultative Committee and Employment Matters Committee took place on 30th November 2022.

Action 6 a), b), c):. Meetings of the Joint Consultative Committee and Employment Matters Committee are scheduled for 24th February 2023.

Action 7: A meeting of Full Council is scheduled for 23rd February 2023.

4. The Unison pay claim

4.1 The joint TU pay claim for 2023/2024 is as follows:

- (A) A £2000 increase on all pay points or RPI, whichever is higher.
- (B) The deletion of all pay points below £10.90 per hour (Living Wage Foundation Living Wage).
- (C) A return to NJC national pay bargaining.
- (D) Medway Council Sleep-in payments raised to £50 per sleep in.

5. Analysis of the Unison pay claim

- 5.1 The pay claim relates to MedPay pay arrangements only, and 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.
- 5.2. Costs have been arrived at after applying the statutory increases and committed increments.
- 5.3. No cost analysis has been completed on the third element of the pay claim, this has been discussed, and examples shared at a previous meeting and the review of Medpay is now progressing.
- 5.4. The total estimated cost of applying (A) a £2,000 COLA increase, a new minimum of £10.90 per hour (B) and implementing the statutory increases (increments and NMW/NLW including apprentices) to the salary bill equates to c£8,900,000.
- 5.5. The estimated cost of applying (A) a £2,000 COLA increase on all pay points or RPI, whichever is greater (including oncosts) along with implementing the statutory increases (increments and NMW/NLW including apprentices) to the salary bill equates to c£8,520,000
- 5.6. The estimated cost of implementing the new minimum MedPay salary (B) of £10.90 per hour increase to the salary bill after the other known costs, equates to c£380,000. 1082 posts would benefit from a minimum of £10.90 per hour.
- 5.7. Medway Council Sleep-in payments have recently been raised to £45.00 PH, and therefore is not being considered alongside this pay claim, as the current arrangement is already above a national offer. This will however be reviewed alongside other allowances as part of the Medpay review.

6. Analysis of Statutory Increases

- 6.1 Typically in October each year, Government announces statutory increases to both the National Minimum Wage (NMW) and National Living Wage (NLW) to be applied from the following April. The announcement was later this year and confirmed in the Autumn Statement on 17th November 2022. The rates announced will be applied from 1st April 2023. The details of these statutory increases are listed below:

Group	2022 hourly rate	% increase	2023
hourly rate			
23 and over	£9.50	9.68%	£10.42
21 to 22	£9.18	10.89%	£10.18
18 to 20	£6.83	9.66%	£7.49
16 to 17	£4.81	9.77%	£5.28
Apprentice	£4.81	9.77%	£5.28

- 6.2 The assumed cost of applying this NMW/NLW statutory increase equates to c£310,000.
- 6.3 643 colleagues will benefit from these statutory increases
- 6.4 The new bottom of R2 will be £20,104 up from the current £19,293. However, if we were to move to the Real Living Wage of £10.90 the new bottom of R2 would be £21,030, which would fully impact on R2.
- 6.5 Due to the pressures on the lower bands created by statutory increases it is necessary for us to review pay bands 1 and 2 and consider further proposals.
- 6.6 Apprenticeship rates have also been announced in the Autumn Statement on 17th November to be applied from April 2023. The details of these assumed statutory increases are listed below:

Apprentice levels	Current hourly rate	% increase	New
hourly rate			
Level 2	£4.81	9.77%	£5.28
Level 3	£5.41	5.00%	£5.68
Level 4	£5.41	5.00%	£5.68

- 6.7 Due to the increase at level 2, levels 3 and 4 also have a new rate.
- 6.8 The total costs including the proposal and the statutory new apprentice rate are c£114,000.
- 7. The Council's pay offer**
- 7.1 Members are reminded that the Pay Award was not awarded in April 2021, there was instead a one-off thank you payment to all staff recognising their efforts during the pandemic.
- 7.2 Members are reminded that the pay award agreed for 2022/23 consisted of:
- 1.6% applied as a general cost of living increase.
 - 0.4% paid in accordance with MedPay performance arrangements.
- 7.3 The Draft Budget considered by Cabinet on 15 November 2022 included an assumption around a pay uplift of 5%, costing c£4.830million including increases to the National Living Wage, and agreement that this figure also includes some immediate market concerns associated with recruitment challenges and service delivery in Children's Services.
- 7.4 When pay assumptions were initially discussed with the TUs through the protocol, an approach that allocated a higher share of available funding to those on lower Ranges was discussed. In addition it was acknowledged that due to statutory increases there was very little gain when people are promoted at the lower ranges, as these ranges have reduced over time.

7.5 The Council's pay offer therefore to the Trade Unions for the pay year 2023/2024 is:

- £1,000 base increase for all, and £500 gap between R2/3/4.

7.6 This option seeks to address:

- the rise of National Living Wage / Real Living Wage anticipated increases,
- reflects the deletion of Range 1 and the introduction of a new Range 2, which would begin at the 2023/24 Real Living Wage of £10.90 (approximately £21,000pa) and would have headroom sufficient to allow for an increase of 4.8%-6% in 2024/25 on that before the range would have expired.
- A greater significant increase if seeking promotion through R2-R4.
- higher percentage increase for those on the lower Ranges.

7.7 The percentage increase will vary across Ranges 1, 2 and 3, but are of greater significance than those above, so whilst all staff currently on MedPay Ranges 1 and 2 would benefit from an uplift of at least £1,000, (5%) for 2023/24, depending where you are will see a different uplift applied due to the gap we have created within the bands. For example those on the bottom of Range 2 would benefit from an uplift of £1,707 or 8.8% and those currently at the top of Range 2 would receive an uplift between 4.8%-6% while those currently at the top of Range 3 would receive an uplift of between 3.7%-4.7%. These figures are based on a Full-Time Equivalent salary (FTE), those who work less than 1.0 FTE would receive an amount pro-rata to these amounts.

7.8 This option will cost c£3,094,297.

8. Inclusion

8.1 The costs set out in this option reflect:

- All staff currently in post across all services, excluding Public Health (where increase in ring-fenced Public Health funding is used to fund pay awards each year).
- A provision for vacant posts. At the time of producing this report, the only data available showed the FTE count of vacancies, not a breakdown of the vacant posts in each range. As such this figure is an estimate based on the proportion of each Range in post.
- A provision for sessional staff, estimated on historic expenditure.

9. Additional requests from the Committee

9.1 At the last meeting of the Committee Members asked for the following information:

Job retention figures	Retention rate for current FY 22/23 Q1 = 96.07%, Q2 = 95.74%, Q3 = 96.70%.
Cost of sleep-in payments if increased to £50	Annual budget pressure of c£9,230.
Cost of agency staff covering sleep-ins	Between 28 Nov – 31 Dec there were 7 instances that required agency workers to sleep in at a total cost of £916.02. As a comparison there were 51 normal sleep-ins over the period at a cost of £2,295. Agency are only used when there is no other choice and usually only to cover sickness absence or annual leave.
In-depth detail of benefits to staff	See Appendix 2
Details of current vacancies	See Appendix 3
Cost of extra days AL	Estimated cost is £315,002. This figure is only based on employees with contracted hours. Does not include employees outside MedPay T's + C's.

9. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Loss of staffing Employee engagement - moral and satisfaction	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	Progress the Medpay Review Benefits to employees, non-salary related through our people promise Use of an external benchmarking system to market test our roles	D3

Risk	Description	Action to avoid or mitigate risk	Risk rating
	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	Continue to monitor exit interviews	
Budget pressures	Often budget pressures and government funding mean pay awards are below inflation or RPI	Consider other methods of reward and build on our employee value proposition Compare to neighbouring Authorities	D3

Likelihood	Impact:
A Very high B High C Significant D Low E Very low F Almost impossible	1 Catastrophic (Showstopper) 2 Critical 3 Marginal 4 Negligible

10. Climate change implications

- 10.1 Whilst this has neither a positive nor negative climate change/carbon emission implication, it should be noted that any other form of recognition, i.e. mileage costs would need to be considered.

11 Financial implications

- 11.1 The financial implications of the joint TU pay claim and the statutory wage increases are c£8,900,000 this is detailed in sections 5 and 6.
- 11.2. The Financial Outlook 2023/24 included an estimate of c£4,830,000 for a 5% pay allocation for staff. The Trade Union pay claim set out in this report represent a further pressure of c£4,070,000 than the allowance made in the Draft Budget

12 Legal implications

- 12.1 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.
- 12.2 Changes that need to be made legally are shown in section 6 above.

13. Recommendations

- 13.1 That the Committee recommend that full Council agree the following pay award for 2023/34:
 - a) a general cost of living increase of £1000 (pro-rata) for all staff and, in addition,
 - b) creation of a gap in pay ranges 1-4 through the introduction of a £500 gap, as detailed in paragraphs 7.6-7.8.
- 13.2 That Full Council be recommended to delegate to the Chief Executive the authority to agree the competency-based awards for staff assessed under MedPay at Levels 1A and 1B.

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Appendices

- Appendix 1 Pay protocol
- Appendix 2 Employee benefits
- Appendix 3 Current Vacancies
- Appendix 4 DIA

Background Papers

None