

Employment Matters Committee

30 January 2024

Pay Negotiations 2024/2025

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Summary

To present Members with a report on the progress of the pay negotiations for the financial year 2024/2025, and to set out the Council's pay offer for 2024/25 for consideration.

1. Recommendations

1.1 That the Committee recommend to the full Council that:

- a) a Cost of Living Adjustment (COLA) of 5% is allocated for the 2024/25 pay award for all on MedPay Terms and conditions.
- b) the Range 3 pay band is lifted by £1,052 (excluding the 5% COLA increase).
- c) the Range 2 pay band is lifted by £547 (excluding the 5% COLA increase).
- d) a gap of £525 is introduced between the Range 1 and 2 pay bands.
- e) sleep in payments are increased by 3.88%.
- f) the Annual Leave entitlement is increased to 30 days per annum pro rata for R1-R3, after 5 years' continuous service.
- g) The current PDR levels and the associated performance related award attributed to them (ie levels 1A and 1B) be removed and instead an additional day's Annual leave awarded to everyone in 2024/25 and 2025/26 on MedPay terms and conditions who is not subject to formal performance management measures.

2. Budget and policy framework

2.1 2024/2025 pay negotiations are a matter for this Committee.

2.2 This report covers the progress of the annual pay negotiations with the Trade Unions (TUs) for the financial year 2024/2025.

3. Background

3.1 This Committee considers all pay negotiations with the Trade Unions (TUs).

3.2 The Council came out of the national agreement in April 2013 and has since then entered formal negotiations on pay awards with the TUs.

3.3 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 TU's.

4. Pay Negotiations Protocol 2024/2025

4.1 Progress to date:

Action 1: Completed - Completed - The Chief Organisational Culture Officer met with the TUs on 13th September and an extract of the minutes is attached at Appendix 2. At this meeting, the Chief Finance Officer gave the TUs an overview of the Council's process to develop the 2024/25 budget, and that there would be a further report to Cabinet in the autumn on the Financial Outlook for 2024/25. The Chief Finance Officer advised finance has been working with the Council's senior members, corporate management team and Cabinet Members to look at early indications of our financial outlook for 2024/25. While in previous years the budget setting process had begun with a 1% assumption around pay, this year there has been a discussion about correcting pay, and pay for our colleagues being a priority. It has been agreed that £10million will be set aside for pay, which will fund the Cost of Living Award and the cost of the MedPay review.

It was explained that whilst we are assuming £10million we will still be considering further points resulting from negotiations under the Pay Protocol, any statutory increases to the National Living Wage (NLW) and National Minimum Wage (NMW), 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 TUs (Unison and GMB) to submit their joint pay claim by no later than WC 16th October 2023.

Action 3: Completed – A Unison pay claim was received on 11th October 2023.

Action 4: Completed - A meeting with the Chief Executive, Chief Organisational Culture Officer and representatives from Unison was held on the 20th of November 2023. The financial position of the organisation was discussed, and it was confirmed that a provisional £10million was put aside for pay awards and

correction of MedPay review within the financial outlook. An extract of the discussion can be found in Appendix 3.

Action 5: Completed - Meetings of the Joint Consultative Committee and Employment Matters Committee took place on 6th December 2023. Trade Unions Colleagues set out their claim and officers responded to questions.

Action 6 a), b), c): Meetings of the Joint Consultative Committee and Employment Matters Committee are scheduled for 30th January 2024.

Action 7: A meeting of Full Council is scheduled for 29th February 2024.

5. The Unison pay claim

5.1 The TU pay claim for 2024/2025 is as follows:

- A return to NJC by the third year of this administration.
- A 10% flat rate, consolidated increase for all staff
- The introduction of a 35-hour working week with no loss of pay.
- An uplift to the sleep-in payments of 3.88 %

6. Analysis of the Unison pay claim

6.1 The pay claim relates to MedPay pay arrangements only, 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. Costs have been arrived at after applying the statutory increases and committed increments.

6.2. The total estimated cost of applying a 10% increase and implementing statutory increases (increments and NMW/NLW including apprentices) to the salary bill equates to c£8.746million. This estimate is based on staff currently employed rather than the whole staffing budget of the council and does not take account of vacant posts in the current structures.

6.3. Medway Council Sleep-in payments have recently been raised to £45.00ph, from £32.94ph. An increase of 3.88% equates to an additional estimated cost of £1,560 per year.

6.4. The introduction of a 35 hour week has not been costed, but during discussions with the TUs it was agreed that additional Annual Leave maybe a preferable solution.

6.5. A return to JNC national pay bargaining is not costed as there is further discussions to be had with regards to what a return may look like to the build on the career progression work of the MedPay review.

7. Analysis of Statutory Increases

7.1 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 22nd November 2023. The rates announced will be applied from the 1st April 2024. The details of these statutory increases are listed below:

Group	2023 hourly rate	% increase	Estimated 2024 hourly rate
21 and over	£10.42	9.79%	£11.44
18 to 20	£7.49	14.82%	£8.60
16 to 17	£5.28	21.1%	£6.40
Apprentice	£5.28	21.21%	£6.40

7.2 A key change to note is that from 1 April 2024, workers aged 21 and over will now be entitled to the National Living Wage. This is due to the 21 – 22 National Minimum Wage group being absorbed into National Living Wage

7.3 The estimated cost of applying this NWM/NLW statutory increases equates to c£602k.

7.4 743 colleagues will benefit from these statutory increases, this includes those who are engaged on a casual basis.

7.5 Due to the pressures on the lower ranges created by statutory increases it is necessary for us to review pay ranges 1 and 2 and consider further proposals. These were shared and discussed with TU colleagues at the Corporate Consultative Committee on 6th December and form part of the pay offer.

8. The Council's pay offer

8.1 Members are reminded that the pay award agreed upon for April 2023 consisted of:

- £1,000 increase for all.
- Introduction of a £500 gap between R2/3/4.

8.2 The Financial Outlook 2024/25 included an estimate of c£10million pay allocation for staff for the pay award and the impact of the MedPay review. This assumed a pay uplift of 5%, including increases to the National Living Wage, and agreement that the remaining budget is used to support the on-going MedPay review.

- 8.3 When pay assumptions have been initially discussed with the TUs through the protocol, an approach that the allocation of the 5% pay uplift is aligned to a cost of living award due to the dual systems of the review (some colleagues still being under MedPay as is, and others being in the new approach of Performance, Progression and Pay) was discussed and mutually agreed upon. This means that we will not be aligning any uplift to performance in 24/25 and proposing this remain the same for 25/26 whilst the MedPay review concludes, and all colleagues move on to the new approach, Performance, Progression and Pay. There will be no awards of Level 1A (a one-off payment) and no performance related pay award.
- 8.4 Whilst we are not looking at awarding a 1A under this proposal we are looking to expand the provision of 1B, an extra days Annual Leave which will be awarded to everyone who is awarded a Level 2.
- 8.5 The increase in NLW of £11.44 has seen Range 1 climb from £21,000 to £22,072 per annum, this increase is also currently higher than the top of Range 2 and so the current span within Range 2 would be wiped out completely and this 'range' would now also become a spot point, Reducing the difference from R2 to R3 to just £283.
- 8.6 Prior to the announcement of the NLW we were looking to:
- Reduce the span of Range 3 to match that of Ranges 7 and 8,
 - Consider a higher starting point for range 2 and range 3,
 - Increase the span of Range 2,
 - Bring in a gap between Ranges 1 and 2 (to match the rest of the organisation),
 - Provide career progressing within R2.
- 8.7 Range 3 is our largest span so assuming a 5% pay award being applied to the whole structure the new span of Ranges 7 and 8 will be £4,743. This proposal sets to change the Range 3 span to match this. This means that:
- The bottom of Range 3 will have increased by £2,170 (including the 5% COLA increase), £1052 without the 5% COLA.
 - This allows us to increase the starting point in Range 2, which will have increased by £1,597 (including the 5% COLA), £547 without the 5% COLA
 - This also allows Range 2 headroom to increase, from £876 to £1,403.
 - The gap between Range 2 & Range 3 will be maintained and this option also introduces a gap between Range 1 and Range 2
 - Introduction of career progression levels into Range 2
- 8.8 R2 changes will impact 319 employees and will cost c£120K, R3 changes will impact 433 and will cost c£250K. These costs are additional to NMW increases. Again, these estimates are based on staff currently employed rather than the whole staffing budget of the council and therefore does not take account of vacant posts in the current structures.

8.9 Whilst we are not in a position to consider a 35 hour week, we have reviewed the Annual Leave entitlement and propose to align R1-R3 to the rest of the grades after 5 years' service, so increasing the leave from 27-29 (grade pending) days to 30 days per annum (pro-rotta). We are also proposing to introduce a long service award of an additional days leave at 10 and 15 years of service for all grades.

8.10 The Council's pay offer for the pay year 2024/2025 is:

- 5% cost of living increase for all employees on MedPay Terms and conditions
- An increase in the starting range for R3 by £1,052, (excluding the 5% COLA increase)
- An increase in the starting range for R2 by £547, (excluding the 5% COLA)
- An introduction of a £525 gap between R1 and R2 to align to the rest of the ranges.
- An increase in Annual leave to 30 days for all grades R1-R3 after 5 years continuous service.
- An additional day's Annual leave to everyone not subject to formal performance measures.

8.11 This option seeks to address:

- the rise of National Living Wage and impact to R1 and R2,
- realigns R1 and the introduction of a new R2 band and acknowledges different levels of pay for different roles,
- introduces career progression in R2,
- introduces consistency in band gaps of £525.

8.12 The percentage increase will vary between R1 to R3 so whilst all staff currently on MedPay Ranges would benefit from an uplift of at least 5% for 2024/25, some in Range 3, Range 2 and Range 1 will see a bigger uplift.

8.13 Appendix 4 shows the current pay scales for ranges 1-7 and also the proposed pay scales for 2024/25.

9. Inclusion

9.1 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 briefing 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 the basis of 2022/23 expenditure.

10. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
<p>Loss of staffing</p> <p>Employee engagement - moral and satisfaction</p>	<p>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</p>	<p>Progress the MedPay Review</p> <p>Benefits to employees, non-salary related through our people promise.</p> <p>Use of an external benchmarking system to market test our roles.</p> <p>Continue to monitor exit interviews.</p>	<p>CII</p>
<p>Budget pressures</p>	<p>Often budget pressures and government funding mean pay awards are below inflation or RPI</p>	<p>Consider other methods of reward and build on our employee value proposition</p>	<p>CII</p>

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

11. Climate change implications

- 11.1 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 within future policy work.

12 Financial implications

- 12.1 The financial implications of the joint TU pay claim and the statutory wage increases are c£8.746million this is detailed in paragraphs 5. This estimate is based on staff currently employed rather than the whole staffing budget of the council and does not take account of vacant posts in the current structures.
- 12.2. The Financial Outlook 2024/25 included an estimate of £10million for increases to NMW, a 5% pay allocation for staff, the correction of the lower ranges and the impact of the MedPay review. The cost of the NMW increases is projected to be c£602k, the cost of a 5% uplift is projected to be c£3.700million and correction to the lower ranges is projected to cost a further c£370k. These estimates are based on staff currently employed rather than the whole staffing budget of the council and therefore does not take account of vacant posts in the current structures. If all posts in the current establishment were filled it is estimated that the cost of a 5% uplift would be c£5million. Therefore the proposals in this report are projected to cost c£6million, and the balance of the pay estimate in the draft budget could therefore be used to fund the impact of the MedPay review.
- 12.3 The Trade Union pay claim set out in this report (c£8.746million) could be absorbed within the allocation of £10million, however it will not fix the historical pay issues that are a concern for this organisation and our people, which includes the lower range concerns, nor allow the full progression of the MedPay review.

13 Legal implications

- 13.1 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.
- 13.2 The legal implications are shown in paragraph 7 above.
- 13.3 A Diversity Impact Assessment is attached at Appendix 5.

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Appendices

Appendix 1 Pay protocol

Appendix 2 Notes of Corporate Consultative Committee meeting held on 7 June 2023

Appendix 3 Outcome of the Pay Protocol Meeting held on 20 November 2023

Appendix 4 Comparison between current pay scale and proposed pay scales for
2024/25

Appendix 5 Diversity Impact Assessment

Background Papers:

None