

Report title

Pay Strategy 2009/10

Agenda item

21

Meeting

Authority

Date

17 September 2009

Report by

Director of Resources

Document Number

FEP 1427

.4 Information relating to any consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority

Summary

This report seeks Authority approval for the 2009 – 10 pay strategy for the Authority's main staffing groups.

Recommendations

That the Authority notes:

1. the national firefighter and control staff pay settlement of 1.25% which has been applied from 1st July 2009 to all operational staff covered by the settlement; and
2. that Authority Control staff have accepted 1.25% with effect from 01st July 2009

and agrees:

3. the offer of 1.25% for London Weighting be resubmitted to the trades unions as a final offer and in the event that the trades unions have not accepted this offer by 09th October that the Commissioner be given delegated authority to implement the offer backdated to 01st July 2009
4. for Fire and Rescue Service staff –
 - that they be offered 1.25% with effect from 01st April 2009 and if the current offer under consultation by the trades unions party to the Local Government NJC is accepted that
 - they be offered the final element of the 2007 pay agreement, which was for pay to rise by 1% above the national local government pay settlements for 2007 – 2009, and which amounts to 0.575%.

5. for the Top Management group an offer of 1.25% be made with effect from 01st January 2010
6. that the budget for salary progression should be 3% for those eligible to qualify in any given year .

Pay Strategy

Introduction

1. All organisations need a clear and effective pay strategy. This is more complex within organisations that do not directly control all of the pay mechanisms affecting their staff. This is the case for LFEPA where over 80% of staff are employed on pay rates determined nationally.
2. The current approach to pay in the Authority has focused on the following:
 - Reducing national control over pay levels and promoting local flexibility
 - Simplifying pay structures and bargaining groups
 - Moving away from spot rates where possible and extending salary ranges
 - Ensuring all variations in pay are affordable
 - Developing links between individual contribution and pay
 - Reducing the risk and impact of potential equal pay challenges
 - Maintaining LFEPA as a good employer in terms of pay levels ensuring a competitive position in the market place
3. The Authority has used Hay to assess our pay rates for FRS staff (2006) and for Top Managers (2005) against the market, whilst they were also used to benchmark fire-fighter pay nationally as part of the Independent review of the Fire Service in 2002. Their evidence that Authority pay rates are relatively competitive for FRS staff is backed up by the relative low level of turnover which is significantly below that experienced within the economy generally and local government specifically, as reported to HRE and HS Panel in September 2008 (HRE285).

Progress to date on the pay strategy

4. Examples of seeking to reduce national control over pay have been the withdrawal of top managers from the principal fire officers NJC and their placement on local pay and conditions arrangements, in 2007 this was extended to Deputy Assistant Commissioners. The Authority also agreed to a local performance based salary progression scheme for Watch Manager Bs in 2008 and has locally determined pay arrangements for its FRS and Control staff.
5. The FRS pay structure agreement reduced eighteen grades into eight including the deletion of craft and manual as a separate grade group. Part of the approach to simplification has been to consolidate the London Weighting for FRS staff as there is no outer London comparator. The trades unions have been opposed to this even though their members would have been better off over the last five years if LWA had been consolidated.
6. All of the recent pay structure changes have extended salary ranges and moved the Authority away from spot rates. This process was commenced with the Top management Group in 2006 and has been followed by the FRS changes and most recently the WM B pay agreement. The advantages of this approach are that the cost of change is significantly reduced and can be self-financing whilst also providing for a large element of pay to be performance based – salary ranges are on average 20%.
7. Where there has been an opportunity to develop a local pay structure then this opportunity has been used to introduce the opportunity to implement pay linked to individual contribution using the Authority's

Performance Review and Development System (PRDS) as the vehicle for assessing performance. The current FRS pay agreement ended fixed increments and replaced that with a system to be determined corporately but consulted not negotiated with the Unions. Officers will be drawing up proposals for such a system in the late autumn so that it is ready for implementation next year (salary progression review date is 01st July each year).

8. The 2007 Hay equal pay report highlighted that the Authority's approach to equal pay should be addressed as a risk management issue and suggested a number of approaches the Authority could adopt to reduce the risk of any likely successful equal pay challenge. Advice included the implementation of Job Evaluation and the elimination of a number of individual anomalies which have been addressed through restructuring. The report recommended the deletion of the non-operational staff group and their transfer to FRS grades. That work is on-going and is well progressed.

Financial Background to pay

9. The Medium Term Financial Outlook also on today's agenda sets out the expectation of tighter financial funding settlements in future years. This is likely to be a period of financial uncertainty, as the grant settlement for police and fire authorities is not known beyond 2010/11. In the light of the significant deterioration in public finances the Mayor's budget guidance sets out challenging targets for future years, with reductions for 2011/12 forecast to be in the range of £7.6m to £11.5m, and for 2012/13, the range would be from £11.9m to £15.8m. As set out in that report, a key factor in meeting these targets will be the cost of future pay awards, including the impact of this year's pay award upon the base budget for 2010/11.
10. The latest figure for the Retail Price Index is an annual inflation rate of -1.4% (August 2008 – July 2009) which means that even a standstill in pay represents a real increase in pay for staff this year. Whilst the other main inflation index (Consumer Price Index) stands at 1.8% for the same period. Given the volatility in rates of inflation it is hard to predict whether or not the current deflation will be sustained through 2010/11.
11. Officers have been monitoring pay movements in both the public and the private sector during the current year. It is recognised that there are a number of multi-year deals particularly in the public sector which are providing for increases in excess of 2% - examples are NHS 2.75%, Police 2.6% and teachers 2.45%. Multi-year deals do not provide evidence of the impact of the recession on pay settlements across the public and private sectors which can only be assessed by looking at settlements reached in the current year.
12. Current settlement data as reported by IDS and IRS is for one year settlements to be averaging around 1%. IDS are reporting in excess of 25% of settlements as pay freezes.

Current Position on 2009/10 pay

13. There are four primary bargaining groups for the Authority:

- **National Joint Council (NJC) for Fire-fighters**

This covers c 5800 operational staff below Deputy Assistant Commissioner level. Agreement has been reached on a pay settlement of 1.25% for this group of employees with effect from 01st July 2009.

- **Control (120 staff)**

This is an autonomous bargaining group within the Authority but its pay has followed the Fire-fighter and Control national pay settlement since the current structure was introduced in 2003. GMB and Unison have accepted 1.25% with effect from 01st July 2009.

- **Fire and Rescue Service** (1050 staff)

This is subject to local agreement and this year is the last of a three year deal agreed by the Authority on 26th July 2007 (FEP 1063). The agreement states that the 2009/10 payment on 01st April 2009 should be either 2.5% or the NJC for Local Government Services plus 1% over the lifetime of the agreement. The Authority has held the line that there was no commitment to the higher figure.

The national employers offered 0.5% in local government and advised the trades unions that the offer would be withdrawn if not accepted by 31st May 2009. The trades unions rejected the offer which has now been withdrawn. The Local Government trades unions are currently consulting their Members on an offer of 1% with an additional 0.25% for the lowest paid ie below Spinal Point 10. This equates to the lower end of Grade A in the LFEPA Pay structure. The Local Government employers have indicated that if this is not accepted the offer would be withdrawn and, in effect, there would be no pay increase in 2009/10.

The contractually binding 2007 agreement would require a minimum increase above the national local government settlement of 0.575%, potentially giving a total offer of between 1.575% and 1.825%. The legal advice is that this figure can not, however, be implemented without agreement with the trades unions as the agreement does not give the employer the right to choose their preferred option. The offer of 1.25% across the board plus the outstanding amount from the 2007 award is, therefore in excess of the minimum the Authority is contractually obliged to pay. A date for the LFEPA Joint Council has been set for 04th November 2009 which provides reasonable time for further discussions to be had with the trades unions on any offer that is now made.

In the event that the Local Government trades unions reject the final offer and there is no increase for local government nationally, then it would be reasonable to offer 1.25% to all FRS staff in line with other settlements for 2009/10. Such an offer would be in excess of what would be applicable were NJC + 1% to be applied. The outcome of the employers' consultation will not be known at the time of despatch, but officers will update Members at the meeting. The financial implications of the pay settlements are based on the acceptance of the local government pay settlement and revised figures will be provided in the event of rejection.

- **Top Management Group** (35 staff)

This group are subject to a contractual pay mechanism which links their general pay rise to that negotiated on behalf of Local Government Chief Executives for the preceding year. Their settlement date is 01st January and they are not due a further increase until 01st January 2010. It is proposed that irrespective of the outcome of the Local Government Chief Executives' negotiations that this group be offered 1.25% to ensure a consistency of approach across all grade groups. Currently there is no offer from the national employers for this group of staff although the claim by their trade union is for parity with the general local government pay settlement

14. **London Weighting Allowance** applies to all employees below Top Management Group level and is negotiated locally with the relevant Authority trades unions. This year a claim for 4.6% was made by the Trades Unions and an offer of 1.25% was made in writing on 30th June 2009. This offer was rejected at a meeting of the Authority Joint Committee on held on 09th July. At the meeting in noting the rejection management asked the trades unions to provide the research they had to support their claim which they had previously indicated that they were not prepared to provide. Management had provided a comparison of increases in inflation and general pay rises for all staff groups since 1996 which was the base year for the trade union claim. Those indices showed that London Weighting had increased significantly in excess of either general pay rises or inflation. Management did indicate that they would of course be prepared to consider any further submissions from the trades unions and were prepared to withdraw the offer on the table.

15. No further response has been received from the trades unions and in light of the rejection of the offer and the commitment to consider any new submissions made by the trades unions, the trades unions were notified of the withdrawal of the offer on 14/07/09. To date there has been no further information provided by the trades unions in support of their claim nor any further request to pursue the matter. In the absence of any further information from the unions it is recommended that a final offer is made of 1.25%, in line with other 2009/10 pay settlements. In order to avoid the delays encountered in 2008/09 when the trades unions did not accept the offer of 2.45% which then needed Authority approval to be implemented in January 2009, it is suggested that the Commissioner be given delegated authority to implement 1.25% if this is not accepted by the Unions by the deadline for the October pay run.

Salary Progression

16. There are four groups of staff who have salary ranges as opposed to spot rates, and therefore a contractual entitlement to progress to the maximum of the salary range: Salary ranges are permissible under equal pay legislation but differences in pay need to be justified and all staff must have the potential to reach the maximum of the range. Case law suggests that achieving the normal period to achieve the maximum should be no more than six years. 3% is considered to meet our legal obligations in enabling staff to progress to the salary maximum

Watch Manager BS (450) – an agreed performance pay scheme, but with payments not due under the scheme until July 2011. It is anticipated that c70 will be eligible for pay progression in Year 1.

FRS (1050) – this year is the last year with a defined percentage increase, there is a need to put in a new salary progression system in place for July 2010. This year and last year progression was made on the basis of 3% incremental pay increase for staff eligible. Approximately 74% of staff are entitled to salary progression and 69% are entitled to the full 3%. Proposals for pay progression will be discussed with the trades unions and the outcome reported to the Authority in March 2010.

TMG (35) – This group has an outstanding commitment to the introduction of a salary progression scheme which should have been in place for January 2008. All staff are eligible for pay progression and proposals for a performance based pay scheme are well advanced and the outcome brought to the Authority in January 2010.

Control (120) – Currently on an incremental pay scale, there are current negotiations with the trades unions for a new performance based system of salary progression to commence from July 2010. It is anticipated that the outcome of these negotiations will be concluded shortly

17. Proposals for schemes of pay progression for all groups except Watch Managers will need to be brought forward to the Authority in accordance with the above timescales.

Authority's Strategic Objectives

18. This report relates to maximising the use of our resources and assets ensuring that the Authority delivers its services at lowest cost.

Head of Legal and Democratic Services Comments

- 19.. There is no statutory entitlement to an increase in salary or even a review of salary. However, there is a contractual entitlement where there is a defined salary review date. Defined anniversary dates are also contractual, for example the anniversary date is contractual for TMG staff as their contracts specify that they will receive the outcome of the agreed pay mechanism on the subsequent 1st January.

Head of Finance Comments

20. The tables below set out the impact of the recommended offers. The presentation show the saving which would be achieved in 2009/10 and also the reduction on the medium term estimates for 2010/11 going forward (these had already been reduced since the March budget). The 2010/11 estimates in a separate report on today's agenda reflect these reductions.
21. The table shows that if the recommended pay increases were agreed, this would result in an underspend of £2.9m in 2009/10 which would feed through into the 2010/11 base and contribute to achievement of spending targets going forward. As noted in the medium term report in relation to the challenging spending targets going forward, a key factor in meeting these targets will be the cost of future pay awards, including the impact of this year's pay award upon the base budget for 2010/11.

	% Increase	Impact on 2009/10 Budget	Impact on 2010/11 Medium Term July Forecast (already reduced since 2009/10 budget)
London Weighting	1.250%	(384,742)	(102,598)
Top Management	1.250	(13,432)	(10,745)
FRS	1.825%	(405,5112)	143,522
Operational	1.250%	(1,927,860)	(514,096)
Control	1.250%	(46,635)	(12,436)
Total		(2,778,180)	(496,353)

Environmental Implications

- 22.. There are no envisaged environmental implications.

Equalities Implications

23. The effect of this would be to produce pay settlements in 2008/09 which were lower for FRS staff than for uniformed operational staff and there is a considerably higher percentage of women. BME and disabled staff in particular who would be affected.

Consultation Undertaken

- 24.. As this is a Part 2 report setting out the Authority's negotiating position it has not been provided to the trades unions and no consultation has taken place. There have been discussions with the GMB/Unison in regard to FRS pay and likewise with them, FBU and FOA on London Weighting.

List of Appendices to this report:

- A. Current Bargaining Arrangements
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Local Government (access to information) act 1985	
List of background documents None.	
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Appendix A

Current bargaining arrangements

The Authority has a number of distinctive bargaining groups with staff employed on different terms and conditions. These are set out below:

Operational staff within grey book (Trainees up to Group Managers). There are 5800 staff employed on nationally determined pay scales. Pay is determined by the NJC for fire fighters and control staff. The anniversary date is 01st July each year. Collective bargaining rights are accorded to the FBU for Trainees – Watch Managers and to FBU and FOA for Station and Group Managers.

Control staff (120) who are employed on local terms and conditions but whilst their pay is in theory negotiated locally, since 2003 they have been aligned to the national agreement agreed by the NJC for operational staff. Their anniversary date is, therefore, 01st July. Collective bargaining rights are accorded to GMB and Unison.

Fire and Rescue Staff (1050) graded A–H who are employed on local terms and conditions but retain the national Local Government anniversary date of 01st April. Traditionally this group followed the Local Government NJC pay settlements but has not done so for a number of years. Collective bargaining rights are accorded to GMB and Unison

Top Management Group (35). This group comprise the senior managers of the Brigade both uniform and non-uniform up to and including the Commissioner. Terms and conditions are negotiated locally and the pay anniversary date is 01st January. This group has its annual pay increase determined by a mechanism which provides for the pay increase to be the same as that awarded to Local Government Chief Executives for the preceding year. Collective bargaining rights are accorded to Prospect.