

	PAPER NO: HR.04 and HR.05 (12)
Committee:	Human Resources
Date:	31 January 2012
Subject:	Performance related pay and national pay bargaining 2012/13
Author:	Katie Boyce, Director of Human Resources
Executive sponsor:	Martin Earwicker, Vice Chancellor
Recommendation by the Executive:	That the committee recommend to the Board that pay is linked to institutional performance with a decision on whether to opt into or out of national negotiations being made by the Board in March

Executive summary

The University proposes putting a clear link between pay and successful institutional performance as the basis for all future pay negotiations and provides the option for the University to remain outside or rejoin UCEA national negotiations for 2012/13.

The Committee is asked to recommend to the Board the proposal that pay is linked to institutional performance with a decision on whether to opt into or out of national negotiations being made by the Board in March based on advice from the Executive, which will be given following further discussions with the unions on their current position on national/local pay bargaining.

	Board/Committee	Date
Matter previously considered by:	HR Committee	25 October 2011
Further approval required?	The Board	8 March 2012

Communications – who should be made aware of the decision?	Trade unions and staff
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Pay Linked to Institutional Performance - HR.04(12)

1. At its last meeting the Committee agreed the introduction of pay awards and possible additional bonus award, in any one year, being linked to institutional performance. This paper outlines the scheme envisaged.

Objectives

2. Ensure, as at present, pay awards and bonuses are affordable and sustainable.
3. Pay is clearly linked to institutional performance initially and, in due course, also to individual performance. The Committee agreed at the last meeting that to move immediately to individual PRP would be a step too far at this stage for JNCHES staff (pay linked to performance is already in place for the senior management group).
4. Reinforce the message that all staff need to contribute to delivery of corporate objectives and that pay is entirely linked to institutional success
5. Reinforce the message that engagement with appraisal is important. Only those staff that complete an appraisal will be eligible for any bonus element payable.

Mechanics of the Scheme

6. The pay award package will consist of two parts i.e. basic pay award plus a "corporate performance bonus". The bonus element will not be budgeted and will be self funding. It will only be payable if the financial result in any year is better than budget. Furthermore, the amount of any bonus payable will not be allowed to reduce the surplus below budget.
7. For example, if budget is met (assuming the budget already includes provision of 1% for basic pay award), the basic pay award of 1% would be made and would be consolidated and therefore pensionable.
8. The corporate performance bonus element will be agreed by committee based on a recommendation from the Executive and as noted above will be self funding. It will not be consolidated and hence not pensionable.
9. Staff would benefit from an overall increase in pay but the ongoing increase in terms of the pay bill in subsequent years would reflect the consolidated payment and not the full amount therefore giving the University the flexibility to increase pay but better manage costs.
10. Payments would be determined as follows:-

Basic Pay Award

11. Where the university achieves its financial targets, in accordance with budget, this proportion of the award would be triggered.

12. The basic pay award element in any year would be included in the budget (current estimate as per 5 year forecast is 1% pa).

Corporate Performance Bonus

13. Where the University achieves specified targets, including financial performance better than budget and other non financial targets, the bonus element of the award will be triggered. Non financial targets could include, for example, student progression, student satisfaction, employability, enterprise delivery, appraisal completion rates.

14. The bonus element will not be budgeted but will be self funding. In this respect, financial over performance will act as the first hurdle. Only if this is achieved will the other non financial targets be taken into account in determining whether any bonus payment should be made.

15. N.B If the University does not meet agreed financial targets then no pay award may be payable; some flexibility may need to be maintained in respect of the basic pay award to recognise how far the University may have fallen short of financial targets and the need to pay staff more in any one year to attract and retain staff on a competitive basis.

Senior Managers

16. This group of staff already have pay, in every respect, linked to individual performance. This scheme will remain in place and the relevant aspects of any pay award package would be applied in relation to the performance rating awarded to these staff as at present.

Pay Award and Criteria

17. The structure of the pay award package and the criteria to be used would be agreed by the HR Committee and the Board on the Executive's recommendation, in advance of negotiations being opened with the unions. The exact amount of any bonus element would be variable depending upon actual financial outcomes.

Local versus National pay negotiations for 2012/2013 - HR.05(12)

18. National pay negotiations for 2012/13 have yet to commence. The University will be asked around mid March 2012 if we intend to participate in these negotiations or not. We have remained outside national negotiations for the last three pay awards although we have implemented all three pay awards, retrospectively, in September 2011.
19. UCU remain opposed to our current position and continue to encourage their members to boycott appraisal and also went on strike on 29 June 2011 in protest at our remaining outside national negotiations. 70 members out of 400 were recorded as being on strike. Leading up to a decision for the 2012/13 round further consideration has to be given to the benefits of retaining financial autonomy on pay and the disadvantages of the ongoing dispute with UCU and the possibility of further action.
20. Following correspondence from UCU to the Board stating their view that we should return to national pay negotiations a response was sent by the Vice Chancellor on behalf of the Board on 7 December 2011; that letter is attached and to date there has been no response from UCU.
21. The letter states again our view that we need to remain independent of other institutions and to have autonomy over our financial affairs in a way that reflects our particular circumstances. The letter however does not preclude a return to national bargaining on pay if this was in the interests of the University, and we have repeatedly explained the Board's position on this and confirmed that the decision whether or not to participate nationally is a decision taken year on year by the Board (normally in March).
22. Taking account of our objective to link pay to institutional performance our options regarding national/local negotiations are as follows:

1. Local Bargaining

If the process in paper HR.04(12) is approved then we would move to open negotiations (subject to Board approval) with the three trade unions locally based on the scheme as described. The risk associated with local bargaining remains the continued dispute with UCU (possibly formally joined by Unison and GMB), a possible repeat of industrial action, and the continued boycott of appraisal by a number of their members.

2. National Bargaining

If we were to return to national bargaining for 2012/13 then we would be required to abide by the Code of Practice for participating institutions. In essence this means that institutions have to implement the outcome of national negotiations unless, as evidenced by their accounts, they cannot afford to pay whatever is agreed. If we were to return to national bargaining this could end the dispute with UCU, avoid further industrial action on this issue, and also end the boycott of appraisal by UCU.

This position could still lend itself to application of the arrangements outlined in paper HR.04(12) on the basis that a basic pay award agreed at national level would be subject to the financial criteria laid out in paper HR.04(12); any additional bonus would then remain the subject of local implementation.

To comply with the Code of Practice we would not be able to split any national basic award to produce a pay award plus bonus (in accordance with our scheme) which together were equal to the national pay award; we would have to apply the award as the total basic award as agreed.

The disadvantages of returning to national negotiations remain:

- A pay award is agreed that is higher than we wish; this risk is probably low given that we are budgeting for up to 1% increases in our 5 year forecast. Also if we can't afford to pay we do not make the award.
- We lose autonomy over our pay for 2012/13 and would be committed to any other initiatives associated with the agreement.
- We may have to increase rates of London Weighting which have been frozen at LSBU since 1 May 2008.

Recommendation

23. The Committee is asked to recommend to the Board the proposal that pay is linked to institutional performance with a decision on whether to opt into or out of national negotiations being made by the Board in March based on advice from the Executive, which will be given following further discussions with the unions on their current position on national/local pay bargaining.