



Response to the Unions pay claim 2023

Strictly private & confidential

Pay Claim - Four Seasons Healthcare

Background

Following the meetings held over recent weeks and months, we would like to set out our formal response to your joint pay claim for the annual pay review in April 2023.

Firstly, the Leadership Team at Four Seasons recognises that these are exceptionally challenging times for the Healthcare sector in general and for Four Seasons in particular. The economic backdrop is gloomy, with increased cost of living due to inflation, high energy and food prices, an unsettled industrial relations climate and the war in Ukraine. We know that it is increasingly hard for those on lower incomes to make ends meet, and we appreciate the work you have carried out in surveying your members and putting together your proposals based on your findings.

We continue to see the impact of these factors at Four Seasons and across the care sector, in terms of high employee turnover rates (40% plus) and difficulties in recruiting and retaining quality staff. At Four Seasons we have the additional challenge of our financial situation, being in administration and aiming to sell our business to new owners, which restricts our ability to invest and make significant increases to our cost base. We continue to focus on making operational process improvements and cost efficiencies ('Project Maple') which is bringing financial and commercial benefits as well as improving care quality – a 'win-win'. Our occupancy rates are increasing and we have started the year in good shape relative to our budget.

The sales process is progressing well, with strong market interest, and we are optimistic of being able to secure the sale of the Group by the Autumn of 2023, subject to the acceptability of bids to our owners. In parallel, we are seeking new owners for the small number of leasehold homes within our portfolio, which do not form part of the sale process managed by Christies which focuses on the freehold homes.

Despite all these uncertainties and challenges, we remain committed to providing our employees with an engaging and rewarding workplace which will in turn help provide a high quality care experience for our residents.

We have put together the following response to your pay claims which we trust will demonstrate that we have seriously considered all aspects of your proposals as well as introducing some additional benefits which we believe will enhance our overall employment proposition.

Response to the 2023 Pay claim

Union proposal: Pay rise of 14.2% on all pay points (linked to RPI inflation)

- We could not afford to increase salaries by 14.2%
- The new National Living Wage minimum rates which are effective from April 2023 represents a 9.7% increase; Approximately 43% of our workforce will benefit from this
- For other employees, we have modelled a new set of pay rates. This would see circa 80% of our workforce receiving an increase of at least 5.9%. The minimum increase we are proposing to offer to hourly paid care home-based staff is 5%. Please see the table below

All Employees

Current Range		Rate from 1st Apr 23		Average increase	Average Increase %	No. of Team	Cum. Team	% of Team
From	To	From	To					
4.62	6.99	5.54	7.91	0.92	19.9%	4	4	0.05%
7.00	7.49	7.92	8.41	#DIV/0!	#DIV/0!	0	4	0.00%
7.50	7.99	8.42	8.91	0.92	12.3%	1	5	0.01%
8.00	8.49	8.92	9.41	0.92	11.5%	28	33	0.38%
8.50	8.90	9.42	9.82	0.92	10.8%	25	58	0.34%
8.91	8.92	9.83	9.84	0.92	10.3%	61	119	0.83%
8.93	9.08	9.85	10.00	0.92	10.3%	44	163	0.60%
9.09	9.49	10.01	10.41	0.92	10.1%	82	245	1.12%
9.50	9.99	10.42	10.64	0.89	9.4%	2884	3129	39.33%
10.00	10.49	10.65	11.14	0.65	6.5%	984	4113	13.42%
10.50	10.99	11.15	11.64	0.65	6.2%	1357	5470	18.51%
11.00	11.49	11.65	12.14	0.65	5.9%	400	5870	5.46%
11.50	11.99	12.15	12.64	0.65	5.7%	299	6169	4.08%
12.00	12.49	12.65	13.14	0.65	5.4%	78	6247	1.06%
12.50	12.99	13.15	13.64	0.65	5.2%	49	6296	0.67%
13.00	13.49	13.65	14.16	0.65	5.0%	31	6327	0.42%
13.50	13.99	14.18	14.69	0.68	5.0%	112	6439	1.53%
14.00	14.49	14.70	15.21	0.70	5.0%	17	6456	0.23%
14.50	14.99	15.23	15.74	0.73	5.1%	13	6469	0.18%
15.00	15.49	15.75	16.26	0.75	5.0%	12	6481	0.16%
15.50	15.99	16.28	16.79	0.79	5.1%	21	6502	0.29%
16.00	16.49	16.80	17.31	0.82	5.1%	10	6512	0.14%
16.50	16.99	17.33	17.84	0.84	5.1%	22	6534	0.30%
17.00	17.49	17.85	18.36	0.86	5.1%	80	6614	1.09%
17.50	17.99	18.38	18.89	0.88	5.1%	60	6674	0.82%
18.00	18.49	18.90	19.41	0.90	5.0%	206	6880	2.81%
18.50	18.99	19.43	19.94	0.93	5.0%	118	6998	1.61%
19.00	19.49	19.95	20.46	0.95	5.0%	94	7092	1.28%
19.50	19.99	20.48	20.99	0.98	5.0%	46	7138	0.63%
20.00	20.49	21.00	21.51	1.00	5.0%	89	7227	1.21%
20.50	20.99	21.53	22.04	1.03	5.0%	19	7246	0.26%
21.00	21.49	22.05	22.56	1.05	5.0%	19	7265	0.26%
21.50	21.99	22.58	23.09	1.08	5.0%	35	7300	0.48%
22.00	22.49	23.10	23.61	1.10	5.0%	5	7305	0.07%
22.50	22.99	23.63	24.14	1.13	5.0%	2	7307	0.03%
23.00	23.49	24.15	24.66	1.15	5.0%	17	7324	0.23%
23.50	23.99	24.68	25.19	1.18	5.0%	1	7325	0.01%
24.00	24.49	25.20	25.71	1.20	5.0%	4	7329	0.05%
25.00	25.49	26.25	26.76	1.25	5.0%	2	7331	0.03%
26.00	26.49	27.30	27.81	1.32	5.1%	1	7332	0.01%

- In addition to the above increases which would be applicable from 1st April, we regularly keep our rates under review relative to the local market. The contingency in our 2023 budget for these off-cycle pay increases is £3.1m (this is similar to 2022, although we actually spent more).
- In line with our normal policy, the following categories of employees will not be eligible for an annual increase
 - Those with less than 6 months service as at 1 April 2023
 - Those who have received a pay increase in the last 6 months as at 1st April 2023 (i.e. 1st October 2022 or later). If the increase they received was less than the new 1st April rate they will receive the difference only
 - Those who are subject to disciplinary proceedings as at 1st April 2023 or before the increase is processed
 - Those who have resigned prior to 1st April 2023 or before the increase is processed

Union proposal: Improved occupational sick pay scheme (from day 1, which maintains full income)

- Funding sickness absence at full pay would be unaffordable and is not in line with the norms of the care sector (or many other sectors).
- Recognising limitations with how Statutory Sick Pay (SSP) operates, with the first 3 'waiting days' not funded, we are proposing to pay the first 3 days of sickness absence at the SSP rate (currently £99.35 per week).

Union proposal: Robust policy to support staff attendance at work

- We understand this refers to the need to ensure that any enhanced sick pay arrangements do not result in increased wilful sickness absence.
- Although we have not offered full pay which presumably reduces this risk, nonetheless we would welcome working with the unions to support staff attendance at work
- We currently provide support in a number of ways including Employee Assistance Programmes (including counselling), Occupational Health (with a new and improved provider), role of HRBPs, listening groups, anonymous employee surveys. etc.

Union proposal: Paid breaks

- Unfortunately it would not be affordable to pay for staff breaks
- The estimated annual cost is £4.7M (equivalent to £75k per week), as set out below

<i>Job Type</i>	<i>Weekly wage cost by job type across Four Seasons</i>	<i>Weekly cost of paying 30 minute break per 12 hour shift</i>
RGN	£1,248,000	£19,999
Senior Carer	£407,000	£6,516
Carer	£3,033,000	£48,613

TOTAL WEEKLY COST £75,128

TOTAL ANNUAL COST (Including NI and Pension) £4,687,947

Union proposal: An additional day of annual leave

- It would not be affordable to increase holiday entitlement for every staff member
- We have supported staff during 2022 with an additional paid day off for the Queen's jubilee and also the Queen's funeral, with those who did work being paid at an enhanced rate (1.5x)
- In 2023, we will be awarding an additional day's leave for the King's coronation in May on the same basis. Each bank holiday day costs us around £250k
- In addition, we are proposing the possibility of awarding up to 2 extra days holiday in line with long service. This would give 1 extra day after 2 years of service and a further day after 5 years of service. This would be adjusted each April (the start of the holiday year for many of our employees). It would be calculated retrospectively, i.e. we propose to recognise all of those who have already accrued the relevant years of service.
- For transparency, at the time of writing, the service profile of our current employees is
 - o 1478 (21.5% of employees) have over 2 years' service but less than 5 years
 - o 2199 (32% of employees) have over 5 years' service

Union proposal: would we consider a one off non-contractual payment to employees

We had previously illustrated to you the anticipated costs to us of making a payment of either £150 or £250 to those employees on the National Living Wage rate only.

Further to your request to consider a payment of £250 to all staff, and not those on National Living Wage only, we have carried out some initial analysis and estimate that the cost to us

would be circa £1.75M (inclusive of oncosts). At this level of unbudgeted cost we do not believe this is affordable for our business. However, by reducing the payment to **£200**, the associated cost would be around £1.4M which we believe we could accommodate by making savings elsewhere.

In modelling this, we have used the following criteria:

- That the payment would be made to employees regardless of their length of service (i.e. it would include new joiners)
- That the payment would be made at the £200 level regardless of contractual hours (i.e. a part time employee would receive the same as a full time employee)
- That the payment would be made up to an including Home Managers i.e. everyone employed within our homes
- That employees in central service functions would also receive the payment, up to an upper salary cut-off of £52K (which is the average Home Manager salary)

We would propose to make this payment via payroll runs in either April or May (depending on the applicable pay cycle), subject to all other proposals relating to the annual review being agreed. We would offer the option of paying the £200 in instalments for those employees who may be adversely affected otherwise in terms of eligibility for Universal Credit.

ADDITIONAL BENEFITS

In addition to the elements proposed by the unions, we would introduce a number of other benefits to support our people:

- Free hot/cold food and free tea and coffee. At present we offer a limited food choice to our people whilst on shift, depending on the length of shift, and limited to soups or cold food. Going forward we propose to offer hot food options to all team members regardless of shift length.
- We propose to introduce funding for the Blue Light discount card, which provides substantial discounts and deals for employees within the social care sector. This would be in addition to the Happy Hub, which provides corporate discounts on restaurants, cinemas, etc. and also provides recognition including financial awards each month. The cost to the Group is estimated at £40k (£5 x c. 8,000 people and the £5 covers 2 years of membership).
- We are reviewing the possibility of introducing the Wagestream platform (supported by the Joseph Rowntree Foundation) which enables employees to draw down a portion of their salary / overtime earnings in advance each month for a small fee. We are advised this has proved to be a very popular benefit in other healthcare

providers and helps avoid our people taking out expensive short-term credit, loan arrangements or go overdrawn.

- We will continue to offer free car parking (where available) and, in some cases, we support travel to work with minibuses.

Summary of annual pay review proposals for 1 April 2023

- Increase to the National Living Wage rate of 9.7% (from £9.50 per hour to £10.42 per hour)
- For those on pay scales above National Living Wage, the average increase will vary. It will be at least 5% for all hourly paid employees, and for around 80% of people it will be at least 5.9%*
- For periods of sickness absence, we will pay the first 3 days of absence at the Statutory Sick pay (SSP) equivalent level (currently £99.35 per week). These 3 'waiting days' are not currently paid under the Government SSP scheme
- We will award an extra day of paid leave in relation to the King's coronation on May 8 for those who are not rostered to work on that day. For those who are rostered to work on that day an enhanced pay rate of 1.5 times hourly rate will be paid.
- We will award one extra day's annual leave entitlement for those employees with continuous service of 2 years at Four Seasons, and a further extra day for those with 5 years' service. The revised entitlements will be made from April 1 each year for those with qualifying service, and based on previous service accrued
- We will make a one-off non-consolidated payment of £200 to all employees in our Care Homes (except bank staff/zero hours contracts) regardless of length of service or number of contracted hours. Central support staff will also qualify for this payment if their annual salary is £52,000 or below
- We will provide free hot and cold meal options and free tea and coffee to all employees in our Homes
- We will reimburse membership of the Blue Light discount card scheme for all employees (current cost £5 for 2 years)
- Wherever possible, we will continue to offer free parking and support other transport options such as minibuses where we can

**The following categories of employees will not be eligible for an annual increase*

- *Those with less than 6 months service as at 1 April 2023*
- *Those who have received a pay increase in the last 6 months as at 1st April 2023 (i.e. 1st October 2022 or later. If the increase they received was less than the new 1st April rate they will receive the difference only*
- *Those who are subject to disciplinary proceedings as at 1st April 2023 or before the increase is processed*
- *Those who have resigned prior to 1st April 2023 or before the increase is processed*