



# MoDEYE special

**DEF/CON/17/16****2016/00806**

## MoD Group Annual Report 2015-2016

This issue of MoDEYE presents the MoD Group Council's Annual Report to members. It covers Prospect's negotiating activities for the year April 2015 to March 2016, describing how the union has represented members' concerns and priorities to MoD and its associated employers DE&S, UK Hydrographic Office and DECA. It explains how Prospect gives practical effect to our goal of making MoD a better place to work, through constructive engagement with the Department at every level.

The report is a vital part of Prospect's democratic processes, giving members up to date information about the union's work, successes and challenges. It will be debated at the MoD Group Annual Conference on 9-10 June, at which all MoD branches will be represented. Please take time to read the report and to contact your Branch reps if you have any feedback that you believe the Branch should raise at the conference.

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## MoD GROUP COUNCIL

### Officers

Alan Grey	President
Brian Lewthwaite	Vice President
Adrian Perks	Deputy Secretary
Tom Smyth	Treasurer

### Representatives from Branches

BRANCH NO & NAME	DELEGATE ENTITLEMENT
<b>C104 MoD: Air Branch</b> Lucy Hibbitt	1
<b>C105 MoD: Fire Service Officers Branch</b> Colin Thompson	1
<b>C112 Defence Training &amp; Education Branch</b> Ian Beddow	1
<b>C143 DIO Branch</b> Joe Bogues	1
<b>C202 Dstl Branch</b> Alison Hume Tim Day David Nunn	3
<b>C239 MoD: Land Branch</b> Charmaine Foster	1
<b>C263 MoD: JFC Branch</b> Jed Greig Ian Hardy	2
<b>C264 DE&amp;S Branch</b> Nick Forgham Steve Kettlewell John Taylor	3
<b>C270 MoD: Navy Branch</b> Simon Finney	1
<b>C287 MoD: HOCS Branch</b> Paul Kemp	1



**C714 DECA Branch** 1  
Les Pickstock

**H111 Hydrographic Branch** 1  
Chris Edwards

## Prospect Staff

Steph Marston	Secretary to MoD Group Council
Anna Biggs	Negotiations Officer
Freeda Betts	Negotiations Officer
Helen Stevens	Negotiations Officer
Robert Lauder	Organiser
Sinead Corrigan	Executive Assistant

## **PROSPECT: REPRESENTING SPECIALISTS AND PROFESSIONALS IN MoD**

1. Prospect members working in MoD and its associated employers expect the union to represent their work-related concerns effectively, giving them a voice at work through dialogue with decision-makers. To facilitate this, Prospect branches are aligned to MoD's organisation wherever this is practical. The majority of members are in branches that correspond to their MoD business organisation and elected branch representatives are empowered to engage with their part of the business on all delegated matters. This means that Prospect can be agile in responding to consultation and can be sure that representatives are close to the members most affected by change. Fire Service Officers and defence education and training staff continue to be organised into specialist branches, again with the aim of ensuring that Prospect can give the right support to all the union's members.
2. MoD Group Council is where all MoD branches come together to look at the issues affecting our members' working lives and future careers and to decide on how the union can best represent our members' interests with their employers. Representation on MoD Group Council is proportionate to the membership of each branch, and business is focused on matters currently under negotiation or consultation.
3. Prospect's MoD Group Annual Delegate Conference sets the goals and priorities for Prospect's negotiating and campaigning activity in the year ahead, as well as reviewing progress during the previous year. MoD Group Council then determines the union's strategy for proceeding on these issues so as to promote members' interests and seek to make MoD a better place to work. Members are kept up to date during the year and MoD Group Council regularly seeks member feedback to inform its agenda and decision-making.
4. MoD Group Annual Delegate Conference elects the Group's officers: President, Vice President, Deputy Secretary and Treasurer. The first meeting of MoD Group Council following MoD Group Annual Delegate Conference decides who will represent the union in negotiations and consultation with MoD at Departmental level.

## **2015-16: MAKING THE BEST OF A DIFFICULT YEAR**

5. Most of the past year was overshadowed by the 2015 Strategic Defence and Security Review. The Review is covered in greater detail later in this report, but even before its publication it cast a shadow over MoD and severely constrained Prospect's ability to engage with the Department and make progress in consultation and negotiation. Significant organisational changes have also been a factor. DECA was created as an Executive Agency of MoD following the sale of DSG's Land business to Babcock, and the Science Capability Review has resulted in significant change for dstl, in parallel with the withdrawal of its Trading Fund status.
6. Following the General Election in May 2015, the Government announced that Civil Service pay restraint would continue for the full five years of its term in office. This was a blow to members who had already seen their salaries fall in real terms over years of pay freezes and caps, while their take-home pay had been hit by increases in contributions to the Civil Service Pension Scheme.

7. Feedback from members to Prospect shows that committed MoD civilian staff are demoralised by Government's persistent failure to recognise the vital role they play in securing the UK's defences, and by the constant implication that civil servants are nothing but a drain on the public purse. Prospect's Civil Service sector is proactively engaging with the Cabinet Office, seeking to bring about a greater appreciation of the essential contribution that specialist civil servants make to public bodies, both operationally and in their role as custodians of the public finances. MoD Group Council has also highlighted the important work done by civilian defence specialists, and will continue to do so.
8. Prospect's approach is to seek to progress our members' interests through a strategy of positive and proactive engagement with all relevant strategic players, both within MoD and in the defence industry more widely. From day-to-day operational and employment issues, through to the big picture of the UK's defence strategy, Prospect is committed to using our reputation, expertise and professionalism to build working relationships with decision-makers and to influence the industry and the environment in which our members in the MoD work, now and in the future.
9. Prospect continues to be effective in making a positive difference, thanks to the strength of our membership: not only the numbers we represent but their professionalism, their ability to articulate their concerns through the union, and their support for Prospect's approach of constructive engagement with their employers. The 2016 MoD Group Annual Delegate Conference will debate the issues that matter to members and will hear contributions from Dai Hudd, Prospect Deputy General Secretary leading on defence issues, and Esther Wallington, MoD's Director of Civilian HR. Representatives from all MoD Group branches will be focusing on how best to safeguard members' interests in the face of civilian job cuts, while securing a positive working environment for MoD defence specialists into the future.

## MEMBERSHIP AND BRANCH ORGANISATION

10. **Recruitment** The number of new members joining Prospect MoD Group branches in 2015 was over 30% higher than in the previous year, despite the continued squeeze on MoD staff numbers. This strengthened recruitment capability and performance has continued into the first quarter of 2016. The achievement is testimony to the work done by branches to raise Prospect's profile in their workplaces and to Prospect's success in articulating a positive agenda for specialists and professionals in MoD.
11. **Membership** The anticipated cuts in the civilian workforce obviously represent a significant membership challenge to Prospect, as to all of the MoD trade unions. However, thanks to the union's improved recruitment levels, membership density within MoD is stable across the piece and indeed increasing in some branches. Prospect's focus on the interests and standing of specialist civil servants, demonstrating the union's strategic and evidence-based approach to engaging with employers, has resonated with members and non-members alike.
12. Prospect is a 'Union for Life' for members who decide to leave MoD employment and pursue their careers elsewhere, whether in other civil service organisations in the private sector. Although it is positive for the union that most members who move jobs stay with Prospect, these members leave their MoD branches. Recruitment of MoD specialist and professional staff into

Prospect therefore remains a priority for MoD Group Council and all MoD branches. Prospect's 'member-recruit-member' scheme, under which members are encouraged to recruit their colleagues, has proved popular and effective in MoD.

13. **Withdrawal of check-off** Check-off ceased in the MoD main department from April 2015, despite the unions' vigorous representations to both the Department and the Secretary of State challenging the rationale for the change. Only a minority of Prospect's MoD membership were paying their union subscriptions by check-off, and the vast majority switched to paying by direct debit in time to secure their continuity of membership. Since check-off was withdrawn, further members have returned to Prospect as they have realised the value of the information and advice available from the union.

14. In October 2015 Dstl gave notice to withdraw check-off with effect from January 2016. As a result of strenuous efforts by Dstl branch representatives and a structured approach to targeting members at risk, only a handful of individuals lost their Prospect membership, most of whom were either approaching retirement or considering moving to another employer.

15. **Recruitment activity** Attracting and engaging a more diverse membership profile, including women, black and minority ethnic members and early-career specialists, continues to be a priority for MoD Group Council. Recruitment events were organised regularly throughout the year at key MoD establishments where there are significant concentrations of specialist and professional staff who are potential Prospect members. Prospect also made it a priority to support induction events, to explain to new MoD staff the value of joining a relevant trade union, and has arranged a Prospect presence at MoD staff conferences, to showcase the work of the union in representing professionals and specialists in MoD.

16. Prospect has continued to provide additional staff time to support DE&S branch organisation and to maximise recruitment and membership retention on the Abbey Wood site. This has proved a valuable resource for local representatives, and has helped to deliver a strong profile for Prospect on the site.

17. **Representative base** Branch and workplace representatives – volunteers who are Prospect members working for MoD and take time out of their MoD jobs to help with the work of representing their colleagues – are the lifeblood of the union. MoD continues to support this work with paid time off for representatives engaged in trade union work directly concerned with MoD's operations, such as advising and supporting colleagues with issues at work or taking part in negotiation and consultation over work-related issues. MoD Group Council members have worked with MoD employers and TLBs to ensure that line managers and TLBs appreciate the value of the work that Prospect reps do, including practical and pragmatic resolution of work-related issues. This positive approach has resulted in Prospect being able to secure the facility time required for effective representation of the union's membership among professionals and specialists in MoD.

18. Prospect representatives have access to the union's national education programme, which comprises training in the skills required for the union's core work of negotiation, consultation and handling personal cases, as well as courses in more specialised areas such as equality and diversity and health and safety. In 2016, the Prospect Aviation, Defence and Security team will

be running additional courses available to MoD representatives, including basic training for new volunteers and refresher training for representatives who are established case handlers. This training will meet the criteria for paid time off work in MoD employers.

19. **Young Professionals' Network** MoD Group Council has taken the first steps towards establishing a network of members aged 30 or under who are interested in campaigning on issues relevant to younger MoD staff and promoting union membership among their peers.

## COMMUNICATIONS AND RELATIONS WITH MEMBERS

20. Branches are the primary channel for communication with members. Branch communications keep members in touch with the union's work in their own employer or TLB, demonstrate the value of Prospect membership to MoD specialist and professional staff, and raise Prospect's visibility in MoD workplaces.

21. Members can find names and contact details for all their branch representatives through Prospect's web site. The web site is an important Prospect resource, and all members are encouraged to register for a password.

22. Branch communications are supplemented with communications on key issues arising in MoD Group Council's work, sent direct to members by email. In addition, members receive quarterly copies of MoDEYE, the MoD Group newsletter, which summarises current issues under negotiation and promotes Prospect workplace campaigns.

23. MoD specialist and professional staff can access pages on Prospect's web site that explain and Prospect's work in MoD and what the union seeks to achieve for members. Some of this information is available to non-members, but more detailed information is provided for members who log in, together with basic advice and resources for self-help. The web pages will be further developed in the year ahead, and members are encouraged to provide feedback on what content they would find useful.

## EMPLOYEE RELATIONS IN MOD EMPLOYERS

24. **MoD** The Employee Relations Framework Agreement concluded in 2014 continues to underpin strong dialogue with MoD at Departmental level on key issues affecting Prospect members. Engagement at TLB level is also generally positive, with Prospect representatives valued for their insight and integrity in representing MoD specialist and professional staff.

25. One disappointment is that, due to resourcing constraints, it has not yet been possible to hold the workshops that had been intended to support the Employee Relations Framework Agreement. The intention of the workshops was to familiarise operational managers, HR professionals and trade union representatives with the principles underlying the agreement and the behaviours which underpin good employee relations. Prospect's concern is that the absence of these workshops means that consultation may not take place at the most appropriate level, and that issues that could be resolved in dialogue with the relevant managers may be escalated unnecessarily.

26. Prospect remains committed to working with MoD to improve and strengthen employee relations at all levels of the Department, in order to ensure that our members' interests are represented in the decision-making process on all issues that may affect their working lives.
27. Prospect is the sole union with collective representation rights for staff in non-standard occupational groups (NSOGs) in MoD. As part of this arrangement, Prospect is committed to developing and maintaining working relationships with the relevant trade unions and professional bodies who are recognised for those members outside the civil service, in order to ensure that MoD specialist staff retain parity of treatment with their peers in the professional mainstream.
28. **DE&S** Employee relations with DE&S are positive, and Prospect is well-positioned to represent members through the significant changes that are expected to result from DE&S transformation. Prospect has worked with the other trade unions to establish agreed priorities in addressing issues arising in consultation over the future of DE&S and how the workforce will be managed in the future. Representatives from the trade unions had a useful meeting with the new DE&S Chief Executive, Tony Douglas, in December 2015, and the intention is to build on this early contact as DE&S develops.

### 2015 STRATEGIC DEFENCE AND SECURITY REVIEW

29. Prospect published its submission to the 2015 Strategic Defence and Security review in October 2015. The part of the submission addressing the position of the Ministry of Defence highlighted the changing nature of the UK's defence requirements and the need for a stable civilian workforce of skilled specialists in order to deliver intelligent procurement of leading-edge systems and to optimise their use. It challenged the Government's arbitrary political commitment to maintaining military headcount, in the context of the 2010 Grimstone report's evidence on the greater cost-effectiveness of civilian staff. It argued the case for securing an effective and resilient defence capability through renewed investment in and development of the skill base of MoD's civilian staff.
30. Publication of the Strategic Defence and Security Review in November came as a blow to Prospect members and to all who take pride in the skills, professionalism and dedication of MoD's civilian workforce. The review mandated a 30% cut in MoD headcount over the next five years, raising serious questions over both the future role of MoD and the achievability of such extensive cuts in staff numbers.
31. Prospect wrote to the MoD Permanent Secretary and the Secretary of State for Defence immediately following the publication of the SDSR in November, to seek more detail on how implementation would impact on members. The union was informed that some of the headcount reduction was accounted for by measures already implemented or previously announced. This is bad communication and bad politics — it means that the SDSR impact on the civilian workforce was exaggerated for effect.
32. Prospect is committed to engaging with MoD on resourcing in the wake of SDSR 2015, defending our members and promoting recognition of the vital work that they do. The union has already signalled to MoD that it will scrutinise the justification of all proposed headcount cuts, challenge proposals that lack a robust operational evidence base, and call the Government to account on any measures that it believes will jeopardise the UK's defence capability.

## GOOD WORK IN MOD CAMPAIGN

33. Even in the context of swingeing civilian job cuts and government-mandated pay restraint, Prospect is committed to representing members effectively and achieving the best possible outcomes in negotiations. Prospect also takes seriously the task of securing quality jobs and good working practices for the specialist and professional workforce of the future. With this in mind, MoD Group Council agreed to promote Prospect's Good Work campaign among members in the Department, to remind members of what is achievable through dialogue and collective representation and to challenge the corrosive apathy and demoralisation brought about by the Government's persistent attacks on civil servants.

## PAY 2015

34. **MoD main pay negotiations** The Government pay cap of 1% continues to be a serious limitation on what is achievable in pay negotiations. Prospect's current position is that we will seek the best possible outcomes for members in negotiations over pay, and will continue to make the case that ongoing pay restraint is unrealistic and will be damaging to MoD's operational capacity as well as to members' living standards and morale.

35. In the 2015 pay negotiations, Prospect led the way to get improvements on MoD's opening offer, in which part of the total budget increase was reserved to implementing allowances in selected areas to address recruitment and retention issues. Prospect successfully argued that most of these measures should be funded out of the non-consolidated pay pot, leaving a greater share of the 1% budget available for the overall pay review. Prospect also sought consolidated increases for staff at the maxima of their pay scales; while the Department would not concede this, the union successfully negotiated an increased non-consolidated payment of 1.5% for these staff. The outcome of negotiations was that the vast majority of staff got a higher increase than would have been available under MoD's opening offer, and no-one got less.

36. **Defence Equipment & Support** It was expected that DE&S would make use of the pay freedoms linked to bespoke trading entity status to acknowledge and reward staff's contribution to the change processes under way. Members were therefore disappointed when DE&S looked to follow MoD's approach to the 2015 pay review. Negotiations resulted in some modification to the original proposal, notably the payment of flat rate increases within each pay spine rather than percentage increases to each spine point. This brought the total pay budget spend, including non-consolidated payments for staff on their pay spine maxima, to 1.24%. Bonuses were paid to around 40% of staff, a wider pool than in MoD. Prospect took the view that DE&S's approach would not be sufficient to meet the severe recruitment difficulties that DE&S was facing in specialist skill areas, and therefore was not able to agree the pay review. However, the union did not formally oppose its implementation.

37. **Dstl** Following extended negotiations, the outcome of the pay review was a consolidated increase in salary of 1.1% for all staff with effect from 1 June 2015, other than those in a Development Zone or assessed as 'Must Improve'. Provision was made for staff in the latter group to receive the 1.1% increase backdated to 1 June if they had succeeded in improving their performance to a 'Met' rating by mid-year. The budget for non-consolidated individual awards for staff rated 'Exceeded' was reduced and distributed on the basis of a linear scale between 8%

and 6% of the salary point relevant to the eligible individuals. £200k of the non-consolidated performance pot was set aside for a three month trial of a Special Bonus Scheme to reward collaborative working.

38. **UK Hydrographic Office** The pay settlement for 2015 was constrained by Treasury policy. UK HO's opening offer was rejected unequivocally by the union. After a well-supported response from members, a revised and slightly improved offer was achieved. The pay award, effective from 1 August 2015, provided a pay bill increase capped at 1%, with an underpinning pay award of £300. The distribution of pay increases followed the policy begun in 2014 of targeting pay at staff in the lower part of the pay scales with a view to shortening the scales and achieving some progression to the target pay point.

39. **Defence Electronics and Components Agency** Prolonged pay negotiations centred around the trade unions' collective view that DECA could and should agree to a pay increase over and above the 1% pay cap. However, DECA was adamant that it was restricted by the Government's pay policy and the Treasury pay remit for 2015. Agreement was reached on a review that paid a 1% to all staff other than those above their pay band maxima; these were paid 1% non-consolidated. Advantageous changes to deputising allowances and flexible working hours arrangements were also secured, together with agreement to a joint review of the pay and grading structure.

## PAY 2016

40. **MoD departmental pay review** Prospect submitted the 2016 pay claim for our members to MoD in March 2016. The claim seeks consolidated pay increases for all defence specialists in MoD; if staff at the top of their pay spines do not get consolidated increases, then any non-consolidated payments should be an improvement on the 2015 pay review; no piecemeal tinkering with the existing pay structure, pending a proper review and future pay strategy; commitment to developing a pay progression mechanism; and an additional non-consolidated payment across the board to all staff, in place of the 'performance-related' payments of previous years. Formal negotiations over the 2016 pay review began in April.

41. **DE&S** The 2015 pay talks were concluded on the basis of an indication that DE&S expected to be in a position to begin exercising pay freedoms win 2016, with the prospect of moving the pay review date to April. This has not been the case, despite the fact that all staff are now aligned to the new DE&S functions. Pay talks for the 2016 review began in March, and Prospect's pay claim for DE&S was submitted in early April.

42. **Dstl** Discussions are ongoing for potential pay freedoms, after which the Branch will submit a formal pay claim.

43. **DECA** The 2016 pay claim is currently in the process of being prepared and will be submitted soon, jointly with the other DECA trade unions.

44. **UKHO** It is clear that pay pressures at the UK HO are mounting and there is evidence of difficulty in recruiting IT skills and ongoing dissatisfaction from staff. In support of the 2016 pay negotiations, UK Hydrographic Office branch has launched a pay campaign which includes lobbying local MPs in support of a 'Pay Manifesto' for UKHO, and confirming members' readiness

to support national trade union action on the issue of civil service and/or or public sector pay. The pay claim for 2016 is included in the manifesto and aims to secure the best achievable pay increase, equitably for all staff.

## FUTURE PAY STRATEGY

45. Pay structures within the MoD main department and other MoD employers have fallen into disuse due to the Government's policy of denying experience-based pay progression to civil servants. Pay spines, scales and bands that were originally agreed as a mechanism for rewarding operational knowledge and professional competence acquired in post are now effectively treated as a set of discrete pay points, with no objective justification or point of reference for why individuals in the same job are paid differently. Quite apart from the denial of legitimate expectations of pay progression for staff who are now unlikely ever to reach the maxima of their pay bands, the current distribution of staff on spine points raises significant issues around parity of treatment, fairness, and compliance with the law on equal pay.

46. Prospect has long argued that the broad-banded pay structure within MoD and DE&S is not a good fit for specialist and professional staff. The union's view is that, even when operating properly, the structure impeded MoD from properly reflecting the labour market for the skilled staff that form the backbone of its civilian workforce. Pay structures in other MoD employers are better-adapted, but these, too, are being undermined by the 1% pay cap and the block on pay progression. Informal discussions with MoD employers indicate that there is a will to engage in negotiations on pay restructuring, although organisations without pay flexibilities will face potential funding issues in implementing any thoroughgoing change.

47. MoD Group Council has decided to publish a pay manifesto for Prospect in MoD, to articulate members' discontents with current pay structures and to set out what the union expects of future pay structures, in line with current good practice in rewarding specialist and professional staff. The manifesto will be launched at MoD Group Annual Delegate Conference in June 2016.

## OTHER NEGOTIATION AND CONSULTATION

48. **Cessation of some functional and locational RRAs** Following a review of functional and locational RRAs beginning in 2014, MoD made a proposal to the trade unions to cease a total of fourteen functional and twenty-four locational allowances, ranging in value from £471 to £3,000. In negotiations, Prospect illustrated the impact that cessation would have on the take-home pay of members, and persuaded the Department to make a buyout payment to staff affected of four times the value of each allowance, including the pensionable element for pensionable allowances. Prospect canvassed this proposal with members affected as far as possible, and on the basis of responses received MoD Group Council agreed to cessation with effect from April 2016, with payment of the buyout in March salaries.

49. **Nuclear SQEP RRA** During 2015, MoD's Head of Profession (Nuclear) instigated a review of NSQEP RRA eligibility, to ensure that individuals in receipt of the RRA were in job profiles requiring nuclear competence and had the requisite qualifications to demonstrate such competence. Prospect supported the review, in that it would address some of the concerns the union had previously raised about staff inappropriately excluded from the NSQEP post control

list. However, the time taken to complete the review severely undermined members' morale and confidence in the outcome.

50. The review was completed in December 2016, and those newly accepted onto the PCL started to receive the allowance in their pay from March 2016. However, Prospect is still pursuing issues around backdating of the allowance. Implementation of the new PCL was backdated only to August 2015, and Prospect has argued that this is insufficient to meet MoD's obligations to staff who have been carrying out NSQEP duties for longer, either since their appointment to NSQEP posts or, in the most extreme cases, since they were excluded from the original PCL in 2013. Prospect is still hopeful of reaching an agreed way forward through dialogue with MoD, but is also exploring the legal position on behalf of members whose NSQEP work pre-dates August 2015.

51. **Responsibility allowances** A revised policy on responsibility allowances was agreed in April 2016, improving governance and consistency in payment of supervisory and deputising allowances and allowances recompensing staff for other additional responsibilities.

52. **Review of travel and subsistence terms** Travel and subsistence terms were mandated for review in the 2010 SDSR. MoD's original proposals would have left members consistently out of pocket on MoD business and consequently negotiations were lengthy and protracted. Eventually, agreement was reached on most points. While the unions were not happy that subsistence claims were subject to new ceilings, significant increases to the amounts originally proposed were secured during negotiations, and the new policy confirms the principle that MoD staff should not have to subsidise MoD business and that line managers can authorise additional expenditure where unavoidable.

53. One area where the unions could not reach agreement with MoD was on the introduction of a single Motor Mileage Allowance, which fell short of the previous standard rate. The unions were concerned that this could have a discriminatory impact on disabled staff, and that staff who regularly use their own vehicles for work could end up financially disadvantaged as the new mileage rate would be sufficient only to cover fuel costs, and not wear and tear on their vehicles.

54. Vetting Officer members contacted Prospect to confirm that the new mileage rates would have a detrimental impact on them, and Prospect wrote to MoD to propose that an exception should be made for this group of staff due to the requirement on them to drive and use their own vehicles. Members also pressed for an exception through their line management chain. Although it was not possible to secure a different mileage rate, the Vetting Service did make arrangements for hire cars to be available for use by Vetting Officers.

55. **Retained and analogue grades pension abatement** Following notification in February 2015 of its intention to review the salary abatements for staff in analogue grades consequent on changes to the PCSPS and, in some cases, in their analogue pension schemes, MoD sent Prospect a proposal for change in March 2016. The union will meet MoD to explore the implications of this proposal and will report to members affected, including those in the Aspect group of Prospect

56. **Fire Service Officers' Net Pay Deduction** Prospect has been in discussions with MoD to challenge the basis for the Net Pay Deduction abating Fire Service Officers' salaries. After a

number of meetings, Prospect's Pensions Officer met with a representative of the Government Actuary's Department. Both parties agreed that they were not able to identify the original calculation of the NPD. On that basis, the MoD has commissioned a report from GAD to look into the implications of reassessing the equivalence of pension contributions and pension benefits between the Civil Service Pensions Scheme and the Fire Service Pension Scheme. Prospect's view, on the basis of previous such exercises, is that the NPD is not justified and should be ceased with immediate effect, with backdated compensation for inappropriate deductions. The union has given MoD input to the Statement of Requirements for the report, without prejudice to the negotiating position set out in Prospect's claim letter in January 2015.

**57. Performance Management** Prospect continues to oppose the implementation of a forced distribution of performance markings in the appraisal process, while giving qualified support to MoD initiatives to improve the quality of line management by providing better support and training for managers in MoD.

58. Despite a number of policy initiatives within the Department aimed at addressing apparent unlawful discrimination in the performance management process, data on performance management outcomes for 2104/15 indicated that the situation had got worse, rather than better. The statistical analysis of performance management outcomes indicates that staff with certain characteristics protected under the Equality Act are significantly less likely to be receive a Box 1 marking and/or significantly more likely to receive a Box 3 marking. The worst-affected groups were disabled staff and black and minority ethnic staff; staff working part-time and staff at both the younger and older ends of the age spectrum also appeared to suffer relative to other MoD staff.

59. Prospect wrote to MoD formally to reiterate its concern that the forced distribution was not only wrong in principle but was having a disproportionate impact on staff with protected characteristics. The union proposed interventions that could assist with addressing the apparent problems with discrimination in performance management, including mid-year moderation panels, a check-list of key principles for use during performance reviews, use of dedicated performance improvement teams and moderation benchmarking guidance. The union also argued that more transparency in moderation and a soft appeals process to challenge marking changes made during the moderation process would benefit staff and preserve the Department's integrity. The department responded positively to Prospect's representations, and engagement on future performance policy and support continues.

60. The outturn statistics in other MoD organisations, notably dstl and DE&S, reveal a similar pattern to those in MoD, with some groups of staff being clearly disadvantaged by the process and evidence of persistent discrimination present across the piece. DE&S in particular demonstrated a lack of understanding of the motivational problems and credibility issues associated with forced ('guided') distribution. Having put considerable resource into addressing performance issues, and having identified that only a minority of individuals marked Box 3 were actual poor performers, as opposed to people who were on a learning curve or who had experienced extended absence for legitimate reasons, DE&S proposed to extend the 'guided' percentage of Box 3 markings from 5% to 10%.

61. **Moderation of retained grades** Following a personal case relating to the performance award alignment for retained grades, Prospect assented to the Department's decision that retained grade staff should be moderated against their broader-banded pay grade equivalent, rather than their JEGS grade equivalent, in performance management. The Department committed that, wherever possible, retained grades would be moderated against their retained grade peer group, in order to avoid disadvantage in performance marking unrelated to performance in the job. In the light of the 2014/15 outcomes, which cast doubt on the integrity of the moderation process, Prospect has proposed that the Department should provide the trade unions with pre- and post-moderation data for these staff in the 2015/16 appraisal round, and that the monitoring data for the Department and all TLBs for 2015/16 should separately identify equivalent retained grades in the outcomes by pay band, in order to avoid any detrimental impact from this change to moderation practice.

62. **Equality, Diversity and Inclusion Forum** MoD Equality, Diversity and Inclusion Forum is constituted to hold two formal and two informal meetings per year. The major input of the forum into negotiations over the past year has been in scrutinising the statistics on performance management outcomes, which demonstrated that staff in some protected groups were subject to discriminatory treatment, resulting in material disadvantage as performance management markings were used to determine MoD bonus payments in 2014. Relatedly, the forum has also provided useful input to MoD's initiative encouraging staff to declare Equality Act protected characteristics on HRMS, which is intended to help address the issue of discrimination in all aspects of line management.

63. **Safety, Health, Environment & Fire Committee** The Departmental Committee has not met, and the terms of reference for the forum are subject to a formal failure to agree. Prospect remains committed to creating effective SHEF representation across MoD and to increasing the visibility and effectiveness of workplace activity in the form of regular audits and inspections.

## STRUCTURAL CHANGE IN MOD MAIN DEPARTMENT

64. **Defence Science Capability Review** A review of MoD's science work and functions resulted in a decision to restructure the Department's interface with Dstl and a new Defence Science and Technology organisation was created with Initial Operating Capability from 1 April 2016. The reorganisation impacted Prospect members in HOCS and Dstl. The operation of the new organisation will be kept under review following initial implementation, with Full Operating Capability expected to be confirmed by October 2016.

65. **Defence Infrastructure Organisation** Capita as the strategic business partner embedded within DIO are adopting an operational model similar to the balanced matrix approach in DE&S. Staff are to be allocated to specialist functions and then deployed through flexible resourcing according to changing needs and priorities. DIO is also seeking flexibilities on pay, which is unsurprising given that they face significant recruitment and retention issues due to not being able to meet the market rate for specialists.

66. **Defence Fire and Rescue Service** There has been consistent informal dialogue on the potential outsourcing of the MoD Defence Fire and Rescue Service. The main gate decision on

whether the service should remain in-house, and if not, the decision regarding which external provider will be given the contract, is expected later this year.

67. **USVF Airbases** Drawdown of US Department of Defense activity at RAF Molesworth, RAF Alconbury and RAF Mildenhall is expected to take place around 2019/2020. Prospect is pressing for formal consultation over issues impacting on the 600 or so civil servants to commence as early as possible. The USVF's initiative to shift the balance of its workforce from civil servants to Local National Direct hires has already begun to have implications for surplus staff. The USVF stated that their objective continues to drive forward. However, the TUs have raised this as a matter of concern as this does not enable the department to follow the spirit of the MSSA. This matter may be subject to a formal disagreement, pending discussions between MoD and USVF.

68. **Logistics and Commodity Services transfer to Leidos** After much delay, the logistics contract was signed in April with new provider Leidos in conjunction with subcontractors Kuhne Nagel and TVS Supply Chain Solutions. Among more than a thousand mainly industrial staff transferring out of MoD were 40 Prospect members. Consultation on the TUPE transfer was positive. Prospect continues to have a constructive dialogue with our members' new employers, and a new Leidos branch has been created as a focus for member representation and activity.

## MoD CONSTITUENT ORGANISATIONS

69. **DE&S** Tony Douglas took up the post of Chief Executive in October 2015, with Bernard Grey retiring as Chief of Defence Materiel in November. Prospect and the other trade unions met Mr Douglas to discuss his vision of the way forward for the DE&S organisation.

70. **DE&S Transformation** Prospect and the other trade unions meet regularly with the DE&S Head of Transformation and managers leading on transformation projects, with the goal of becoming embedded as partners in change, rather than merely being advised of outcomes and approaches immediately prior to implementation. Prospect has endorsed the 'spirals' approach to transformation as one that recognises the importance of embedding DE&S's existing knowledge base and organisational intelligence in its future operations. Prospect's negotiating objective is to highlight the essential contribution that our members make to DE&S's business and, looking forward, to secure career paths and remuneration packages which will provide our members with opportunities commensurate with their expertise and grounding in the acquisition and support business.

71. **DECA** Following the formation of the Defence Electronics and Components Agency, Prospect representatives have been engaged in the work required to ensure that the new organisation is fit for purpose, including review of operational practices and policy documentation.

72. **Dstl** Transformation of the organisation continued with a major change programme titled ROAD (Reviewing Our Approach to Delivery). The main objective was to restructure the Programme and Delivery Directorate to cut the cost base and improve efficiency. As a result 12 operating Departments were subsumed into 5 Divisions. In parallel with these discussions and given the consequential impact on rationalisation of staff the Branch agreed a RRR (Reskilling, Redeployment and Redundancy Procedure) policy to ensure that Dstl did not lose key skilled staff.

73. A MoD review of Dstl's business resulted in a recommendation to cease Dstl's trading fund status with effect from April 2017. Dstl will continue to be an Executive Agency within MoD.

74. **UK Hydrographic Office** UKHO remains a profitable business and its Trading Fund status was confirmed following the quinquennial review in 2015. Pressures for headcount reductions remain, with a plan to reduce staff numbers to around 700. The impact of the change to digital products sadly resulted in the restructuring of Print and Supply, with the loss of around half of the posts in the department and the outsourcing of publications printing. To date compulsory redundancies have been avoided; however, a VERS scheme has seen the departure of many long serving and highly skilled staff.

## SUMMARY

75. Prospect has supported and defended members in MoD and its constituent employers through a difficult year. The year ahead promises to be even more challenging, as MoD begins to identify and implement the civilian job cuts demanded by the SDSR in a context of unprecedented attacks on Civil Service terms and conditions of employment, including the Civil Service Compensation Scheme.

76. That Prospect has been able to continue to get results for members, both individually and collectively, over the past year is a credit to the teamwork of representatives and Prospect staff during a very difficult time, and to the new volunteers who have started to come forward.

77. MoD and its constituent employers continue to profess their commitment to good employee relations and effective negotiation and consultation with the trade unions. MoD Group Council will continue with its professional approach of considering proposals for change on their merits, challenging where the evidence base is lacking and putting forward realistic alternatives in the interests of negotiating in good faith and securing the best possible outcomes for members.

78. Prospect will do its utmost to continue to protect and advance members' interests at work in MoD, but in order to do this it is vital that reps work to engage members and encourage active participation in the union's campaigns and consultation. Member involvement and visible support for Prospect's position demonstrates that the union is genuinely representative and bolsters the union's standing as the voice of MoD specialist and professional staff.

79. MoD Group Council will also give practical and moral support to members volunteering to be Prospect reps or points of contact, in all MoD branches. Trade union work related to employee relations and advising members is supported by paid time off work, and new volunteers are encouraged to take on limited responsibilities that can easily fit around their professional responsibilities. Building Prospect's MoD team – seeking Prospect volunteers and ensuring that they get the right training – will continue to be a priority for MoD Group Council in the year ahead.

80. Finally, MoD Group Council's primary purpose is to develop and pursue a bargaining agenda that defends Prospect members and promotes their priorities in all MoD organisations. To this end, MoD Group Council is committed to consulting and involving members through all possible channels. MoD Group Annual Delegate Conference will debate the key issues facing Prospect members in MoD and will determine the union's negotiating priorities for the year ahead; MoD



Group Council will test possibilities and progress with members throughout the year, in order to ensure that the union continues to be known as a credible and realistic voice for the Department's specialist and professional staff.