

**To: Leaders of Local Authorities
Elected Mayors**

25 October 2011

Dear Leader,

Strategic Issues in Local Government Pay Negotiations

There is little doubt that our forthcoming national pay negotiations will be very challenging. We felt that it would be useful to write to you jointly as the lead members of the LGA Workforce Programme Board to update you on what we think the main objectives for employers should be. A formal consultation process involving regional meetings will take place during November. We have today received a claim from the trade unions for, *“a substantial increase on all pay points which recognises the hardship being suffered by local government workers - in particular the lowest-paid... [and]... an end to attacks on terms and conditions”*.

As you will know, there has been no national pay increase for two years. The sector has achieved this with unanimous resolve and without industrial action. This shared choice has helped to reduce the number of redundancies required to meet budget restrictions.

We are only too aware of the continuing pressure on all councils' budgets and that the case for a continued pay freeze is clear. But in coming to a decision as employers we also need to consider other factors:

- The cost of living continues to rise with the CPI measure of inflation now at 5.20%
- Pay rates in the private sector are beginning to rise, with increases averaging 3.10% (Source: ONS. Three months to July 2011)
- Local Government's lowest pay rate is just 3.50% (22p) above the national minimum wage
- There is an increasing possibility of difficult industrial relations issues

Beyond any considerations about basic living standards for the lowest paid, it is important also to recognise that the economic situation will change over the next few years. We need to prepare ourselves for the consequences of recovery.

The guiding policy is to find the best way to ensure a managed return to stable, affordable and reasonable pay increases, alongside necessary modernisation of terms and conditions. The ongoing financial pressures on councils may necessitate a third year of no pay offer but we should also consider the case for attempting to negotiate a multi-year deal, which would provide employers with an ability to plan for a gradual return to affordable pay increases. Continuing to freeze pay and then attempting to deal reasonably with the kind of catch-up claims that the unions would undoubtedly make in future years may be less tenable and would bring a high risk of employee relations difficulties developing.

The focus of a multi-year deal could not be on pay alone. We would expect to use the opportunity to agree changes to the national pay framework in return for modest pay increases.

To be clear, we are not advocating one or other course of action. This will be a difficult decision and we expect opinions between councils to be split. What we are keen to do is ensure that in reaching that decision councils have thought about and had an opportunity to contribute to the debate that will inform the decision making process.

The challenge is of course only increased by the current suggested pension reforms. It is, of course, important to keep pension issues separate from discussions over pay, given that Local Government does not have the final say over scheme amendments, but the changes to LGPS will impact directly on employees' disposable income and will inevitably be part of the background to our discussions.

As we have mentioned, regional pay consultation briefings will take place in November and early December and we would encourage all councils to send senior political and managerial representatives to these discussions. In the meantime, please feel free to write to us with your views.

Yours sincerely,



Sir Steve Bullock
Chair



Cllr Roger Phillips
Deputy Chair

Steve Comer

Cllr Steve Comer
for Vice Chair



Cllr Norman Murphy
Deputy Chair