

**To: Chief Executives in England, Wales and N Ireland
(additional copies for HR Director and Finance Director)
Members of the National Employers' Organisation
Regional Directors
Secretaries of the Local Government Associations**

20 January 2010

Dear Sir/Madam

LOCAL GOVERNMENT PAY 2010/11

I am writing to let you know that the employers have today informed the three trade unions (UNISON, GMB and Unite) that they are unable to offer any increase in pay for 2010/11. This is in response to the unions' claim, submitted in October, for an increase of 2.5% or £500 a year (whichever is greater) with effect from 1 April 2010; a total cost of 2.8%.

In the period leading up to Christmas the employers consulted councils through pay briefings in the nine English regions, Wales and Northern Ireland. The Employers' Side of the NJC has now met twice since the conclusion of those briefings in order to consider the views expressed and the detailed responses to the questions that were posed. In the light of the clear and consistent message from the vast majority of councils the employers have concluded that the financial position is such that any increase would simply not be affordable.

The employers recognise that, like councils, many employees have struggled to cope with the effects of the recession. However, the employers face a stark choice; they want to help councils protect services and offering a national pay increase for 2010/11 would severely compromise that aim. The employers have also been influenced by the fact that many councils will see their pay bills grow significantly this year in any case through their contractual obligation to meet the cost of annual increments.

The employers want the local government workforce to understand why they have decided not to make an offer so a model letter to employees is attached as **Annex A**. Please feel free to use this as you wish, adding relevant local information, particularly about financial constraints, where appropriate. It would be appreciated if you were able to copy us in to any communication you send out. Please send to colin.divens@lge.gov.uk

The employers have also decided that they will be unable to offer any increase to the trade unions in the JNCs covering chief executives, chief officers, craft workers and workshops for the blind, though at this stage no pay claim has been lodged in any of those negotiating bodies.

A press release issued by the employers today is attached as **Annex B**.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Phil White', with a long horizontal flourish underneath.

Phil White
Head of Negotiations and
Assistant Employers' Secretary

MODEL LETTER TO EMPLOYEES

You may wish to send a letter to individual employees explaining the national employers' position on pay this year. Please feel free to use the following as a model, adapted where necessary to reflect local circumstances.

It would be appreciated if you were able to copy us in to any communication you send out. Please send to colin.divens@lge.gov.uk

Dear

LOCAL GOVERNMENT PAY 2010/11

I am writing to let you know the latest position on local government pay.

The Employers' Side of the National Joint Council has informed the three trade unions (UNISON, GMB and Unite) that in view of the difficult financial position facing councils they will not be able to offer any increase in pay for 2010/11.

We realise that many of you have been struggling to cope with the effects of the recession and that the employers' decision will be a disappointment. However, councils have also been badly affected and are faced with difficult choices. A pay increase for 2010/11 would lead to cuts in services that would adversely affect local people and would put council jobs in jeopardy. That is something we all want to avoid.

The employers' decision does not affect the payment of increments. If you are contractually entitled to an annual increment during 2010/11 then you will still receive this. *[Councils where no annual increments are paid will obviously want to exclude this paragraph.]*

Why is the financial position in local government so difficult?

Councils receive income from three sources: government grant, fees and charges for services, and council tax.

A significant amount comes from government grant. The level of grant for 2010/11 was set some time ago and, in calculating it, government built in a requirement that councils make significant efficiency savings. Councils have therefore had to achieve those savings simply to maintain services at existing levels.

Income from fees and charges has been severely affected by the economic recession. To take just a few examples: we have seen a fall in income from planning applications as a result of reduced activity in the building industry; a fall in income from car parking, leisure centres and other council services as people have adjusted their daily lifestyles; and a fall in interest payments from council investments.

At the same time as income has been falling councils have been busy protecting local communities from the worst effects of the recession by, for example, helping to keep people in their own homes, offering support to the unemployed and helping small companies stay afloat. This has created a financial headache that is not easy to solve.

Council tax increases cannot provide the solution. Because of the complicated way that local government finance works council tax would have to increase significantly to fund even a small pay increase. Not only would this be unfair on council tax payers, excessive council tax rises would in any event be capped by government.

Neither do councils have huge reserves sitting in the bank that could be used to fund a pay increase. Councils do hold reserves but these are set at a sensible level to meet medium-term financial commitments such as gritting roads around the clock during the recent cold weather. Reserves are there for one-off items of expenditure, not recurring costs such as pay.

In conclusion, I can only reiterate that the recession has affected us all and, though I am sure you will be disappointed by the employers' decision not to make a pay offer, it will help us protect vital services and reduce the risk of job losses in local government.

Yours sincerely

COUNCILS RESPOND TO LOCAL GOVERNMENT PAY CLAIM

Local government employees will not be offered an increase in pay from April to protect vital front-line services and help minimise the need for job losses, employers announced today.

Local government employers have decided they are not able to award an annual pay rise to employees in local authorities in recognition of the extremely tight financial situation facing councils.

This decision has been taken after extensive consultation with local authorities.

Councils are facing falling revenues at a time when they have to keep council tax low to help hard-pressed families through the recession.

Jan Parkinson, managing director of Local Government Employers, said: "The decision not to offer employees an increase in basic pay this year has not been taken lightly. Councils are facing a perfect storm of falling revenues and increasing demand for services. Up and down the country councils have already been forced to cut thousands of jobs to balance the books.

"Town Halls have been swept by the cold winds of recession for more than a year and that means difficult choices have to be made.

"Hard-working public servants do a sterling job keeping services running. Councils are facing difficult choices this year and have to ask their workforce to recognise the need to keep vital front line services going and protect jobs wherever they can."

Notes to editors:

Today's announcement covers 1.4 million local government employees in England, Wales and Northern Ireland

Local Government trade unions – Unison, GMB and Unite – have asked for a pay increase of 2.5 per cent pay or £500 a year (whichever is greater) from 1 April 2010, which would add 2.8 per cent to the local government pay bill.

Employers have also decided that they will be unable to offer a pay increase to council chief executives, chief officers and craft workers, though at this stage no pay claim has been lodged in any of those negotiating bodies

Teachers and firefighters are covered by separate national pay arrangements.

Last year the majority of council staff were awarded a 1 per cent pay award. The lowest paid staff, earning up to £13,703 a year were awarded a 1.25 per cent increase. Council chief executives and chief officers were not given an annual pay award.

ENDS