

National Employers for local government services

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To: Chief Executives in England, Wales and N Ireland (to be shared with HR Director and Finance Director) Members of the National Employers' Side Regional Employer Organisations

23 February 2023

Dear Chief Executive, LOCAL GOVERNMENT PAY 2023

I am writing to update you on the work we have been doing on your behalf on the local government pay round for 2023. You will recall that on 30 January, UNISON, GMB and Unite lodged their pay claim for:

- *RPI (10.70 per cent<sup>1</sup>) + 2.0 per cent on all pay points*
- *Consideration of a flat rate increase to hourly rates of pay in order to bring the minimum rate up to £15 per hour within two years*
- *A review and improvement of NJC terms for family leave and pay*
- *A review of job evaluation outcomes for school staff whose day-to-day work includes working on Special Educational Needs (SEN)*
- *An additional day of annual leave for personal or well-being purposes*
- *A homeworking allowance for staff for whom it is a requirement to work from home* • *A reduction in the working week by two hours*
- *A review of the pay spine, including looking at the top end, and discussions about the link between how remuneration can be used to improve retention.*

During February, councils in each of the nine English regions, Wales and Northern Ireland were consulted at very well attended virtual pay consultation briefings; in total, more than 750 senior officers and councillors attended. The National Employers met today to consider feedback from those events.

As explained in great detail at the pay briefings, the National Employers have again been faced with very difficult decisions when considering their response to the unions' claim. The main issue to influence their position has yet again been the continuing challenge of how to deal with the relentless pressure from the proximity of the National Living Wage (NLW) to the bottom of the NJC pay spine.

Last year, the employers were able to mitigate slightly the in-year cost of the 2022-23 pay award by deferring to 1 April 2023, the deletion of the bottom pay point from the pay spine. Repeating that approach could have been an option for the employers again this year. However, a very clear message from the regional pay briefings was that a majority of councils were against the deletion of further pay points. (The unions' claim cites the Office for Budget Responsibility's (OBR) latest annual RPI forecast for 2023, currently 10.7 per cent, as published Nov 2022).

The National Employers today agreed unanimously to make the following one-year (1 April 2023 to 31 March 2024), full and final offer to the unions representing the main local government NJC workforce:

- *With effect from 1 April 2023, an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive*
- *With effect from 1 April 2023, an increase of 3.88 per cent on all pay points above the maximum of the pay spine but graded below deputy chief officer (in accordance with Green Book Part 2 Para 5.42).*
- *With effect from 1 April 2023, an increase of 3.88 per cent on all allowances (as listed in the 2022 NJC pay agreement circular dated 1 November 2022)*

This offer would achieve a bottom rate of pay of £11.59 with effect from 1 April 2023 (which equates to a pay increase of 9.42 per cent for employees on pay point 2) and everyone on the NJC pay spine would receive a minimum 3.88 per cent pay increase.

If accepted, this offer means an employee on the bottom pay point in April 2021 (earning £18,333) will have received an increase in their pay of £4,033 (22.0 per cent) over the two years to April 2023. For an employee at the mid-point of the pay spine (pay point 22), their pay will have increased over the same period by £3,850 (13.99 per cent).

### **The NLW pressure**

As was conveyed at the regional pay briefings, since its introduction in 2014, the NLW has presented a huge challenge for local government in managing to maintain headroom between the bottom pay points and the statutory NLW. Local government is almost alone in the public sector in having this challenge. Other public sector pay structures' lower rates of pay are far enough above the NLW for it not to present the same pressure as we face and / or involve a far smaller proportion of those sectors' workforces than is the case in local government.

When the NLW was introduced in 2014, the National Employers established a principle of always ensuring that the bottom rate of pay in local government should be higher than the NLW, as they do not believe the sector should be a minimum wage employer. Meeting that principle each year has proved to be a challenge, given the significant annual increases to the NLW rate.

Last July, when the National Employers made their 2022 pay offer to the unions, the Low Pay Commission's (LPC) top-end forecast for the NLW at April 2023 was £10.50. The 2022 pay agreement was reached on 1 November (and backdated to 1 April), but it was not until the Chancellor gave his Autumn Statement on 17 November that we knew for certain that the NLW rate on 1 April 2023 would be £10.42, an increase of 92p (9.7 per cent) from its current £9.50. I believe this therefore justifies the employers' decision to structure last year's offer in such a way that it got the NJC's bottom pay point to £10.50.

However, even though the 2022 deal included the deletion of the bottom pay point (SCP1) on 1 April 2023, on that date the current headroom will reduce from the current £1.00 to just 18p (pending this year's pay award). The headroom would otherwise have been just 8p, were it not for SCP1 being deleted. This is a very good illustration of the problem we have: we simply cannot stay far enough ahead, for long enough, of the NLW for it not to be a constant pressure on the NJC spine, as it is currently configured.

Headroom of 18p may appear, on the face of it, to provide some comfort with regard to the NLW. However, it should be noted that the Chancellor also reaffirmed government policy for the NLW to reach 66 per cent of median earnings in 2024. The current forecast from the Low Pay Commission (LPC) shows that this policy could result in the NLW reaching £11.35 in 2024, an increase of 93p (8.9

per cent) from its 2023 level. This is the top end of the current forecast range of £10.82 to £11.35. As we have seen in previous years, this tends to be the prudent base to use for estimating the likely rate. In addition, the forecasts are likely to be revised again before pay is settled for 2023-4.

This projection is the highest rate yet predicted for the NLW and there is no guarantee it won't rise further. The lack of a fixed figure to work towards and the volatility of the forecasts of what the NLW rate will be, has made it very difficult for local government to plan effectively over the past few years.

### **The NJC pay spine**

As shown above, the employers recognise that the incremental deletion of pay points from the spine does not provide a sustainable answer to the NLW pressure.

The two-year 2016-18 pay deal afforded the NJC the 12-18 months' 'breathing space' needed to conduct the last review of the pay spine, which was implemented in April 2019. As attendees at the regional briefings heard, another fundamental redesign of the pay spine is now inevitable; it is probably the only way in which we can finally resolve the NLW challenge.

You will note the employers' 2023 offer to the unions includes a proposal that the Joint Secretaries enter into exploratory 'without prejudice' informal discussions in order to map out the practical considerations of how and when the pay spine might be reviewed once the future policy direction of the NLW has been confirmed.

### **Conclusion**

The National Employers are eleven senior elected members, many of whom are, or have been, Leader of their council. They are all acutely aware of the additional pressure this year's offer, which would need to be paid for from existing budgets, will place on already hard-pressed finances, especially for those councils and schools with large numbers of employees on the lower pay points. However, for the reasons set out above, they believe their offer meets the NLW challenge (at least in the short-term) and is fair to employees, given the wider economic backdrop.

The National Employers wholeheartedly support the principle of the NLW but their remit is limited to securing pay agreements with the trade unions. Responsibility for making clear to government the cost to the sector of its NLW policy, lies with the LGA, in partnership with the WLGA and NILGA, all of whom have made clear that if additional funding is not forthcoming, jobs and services will be at risk as employers struggle to accommodate this additional cost when trying to balance their budgets.

A copy of the letter sent to the NJC trade unions, along with a copy of the employers' media statement are set out on the following pages.

Please share this letter and subsequent updates on pay, with your colleagues in HR and Finance, and with elected members, as appropriate.

I shall continue to keep you informed of developments.

Yours sincerely,

**Naomi Cooke**

**Employers' Secretary**