

CONSULTATION ARRANGEMENTS RELATING TO THE ACAS PAY PROPOSALS

1 SUMMARY

- 1.1 This report sets out the terms of the ACAS pay proposals and the factors behind the Employer's representatives decision to recommend them to local authorities. In the light of the information provided, Members are asked for their view as to whether the proposals are acceptable, so that a formal response can be made to the Employers' side by 16th September, the deadline set.

2 INTRODUCTION

- 2.1 In the light of the current dispute regarding local authority pay, the Employers' side met with the Local Government Unions and ACAS and, on 5th August, reached agreement on proposals to be put before their respective memberships. As a result, the Unions have now suspended their plans for further industrial action.
- 2.2 The Employers' side recognise however, that in deciding to recommend the ACAS proposals, they have gone significantly beyond their original mandate.

3 DETAILED CONSIDERATIONS

- 3.1 Details of the ACAS proposals are outlined in Appendix 1. A meeting of Local Government Employers in the Eastern Region has been convened for 5th September 2002 to consider the proposals. Any further information obtained at that meeting will be reported verbally.
- 3.2 All local authorities have now been balloted on the proposals and asked for their response by 16th September. The question on which authorities have been balloted is as follows:-
- “Do you consider that in the circumstances the Employers' side of the NJC should accept the pay proposals on behalf of local authorities, subject to the Unions also accepting them”*
- 3.3 If the proposals are accepted, the additional cost to this Council will be £27,000 in this financial year, which will need to be met from the existing salaries budget. At this point in time, given the current rate of staff turnover and vacancy drag as a result of this, it will be possible to meet this increase from within the existing allocations under that budget.

- 3.4 The effect of the proposed settlement on next year's budget will increase the salaries overhead for 2003/04 by around £230,000. This equates to £7.61 per Band D property and represents a 5.6% increase on the current Council Tax Bill of £130.50. If the settlement is agreed, then clearly this increase will need to be accommodated within the preparation of the 2003/04 budget.
- 3.5 In deciding to recommend this settlement to Councils, the Employers' side recognise that it will be controversial and difficult for many authorities to fund.
- 3.6 Although the industrial action on 17th July was regionalised and patchy, and some predictions for 14th August were that it would be weaker again, the Employers' side felt that the indications were that the selective action planned for 15th August and beyond and the increasing difficulty in agreeing local exemptions would take the dispute into a more bitter and intense stage. Public sector settlements, according to Incomes Data Services recently, are now running at between 3.5% and 4%. Inflation for the first quarter of next year is forecast (on average) to be up to 3%. Opinion in some parts of local government was reported as being ready to absorb a 3.5% cost this year. In at least two large cities, elected members have shifted their authorities' views on low pay.
- 3.7 The Employers' analysis is that the dispute, however patchy locally, has been damaging local government's collective image and reputation with government, the media and the public. In particular, while the business case for not increasing the lowest rates of pay by more than the average is clear, that case has made absolutely no political/media headway despite being vigorously promoted. The Unions have been successful in running the argument that £5 an hour is a very low rate of pay in absolute terms, despite the fact that 4 million people in Great Britain earn less.
- 3.8 The options ultimately available to the National Employers were:
- (i) To recommend the ACAS proposals.
 - (ii) To initiate arbitration for a one-year deal.
 - (iii) To stick at 3%/£5 an hour for 2002/3; offer a specific three-year deal (which we knew the unions would not accept); to advise authorities to put the 3%/£5 an hour in pay packets in September; and to break off all contact with the Unions.
- 3.9 Of these options, the Employers have concluded that the first was the "least worst".

4 Officer Comments

- 4.1 It is with some concern that in recommending the ACAS proposals, the Employers' side recognise that they have gone significantly beyond their original mandate, without reference back and this is an issue which Members might wish to take up with the Employers' Organisation. Members might also wish to consider whether, given such circumstances, the Authority might at this point at least consider possible alternatives to remaining within the national scheme, which provide more local accountability. Some Authorities in the Eastern Region have already opted out of the national scheme.
- 4.2 Locally, the impact of the industrial action carried out to date has been minimal. That said, there is no doubt that were the dispute to continue for a protracted period, employer/employee relations at the local level would begin to suffer. Thus, there is merit in attempting to resolve the dispute as quickly as possible.
- 4.3 Financially, however, the proposed settlement will be hard for an authority such as Rochford to accommodate. The proposals as outlined will certainly have an impact in terms of next year's budget preparations, coming as they do on top of the increased National Insurance contributions as a result of the Chancellor's budget proposals, which will add a further £50,000 to staffing costs. For this reason alone, it is therefore felt that the Authority should reject the proposals. Members are nonetheless aware that the Council has problems, along with other Local Authorities, in recruiting certain staff, particularly within some of the professional and technical areas. An increase in overall pay may help in some way in making Local Government more attractive.
- 4.4 In practical terms however, it seems likely that the majority of authorities will accept the negotiated package and thus however we view the settlement, the Authority will need to accommodate its implications within the 2003/04 budget. The Government should be advised of the implications for an authority such as ours of this negotiated settlement and take this matter into account within the coming Revenue Support Grant Settlement.

5 RECOMMENDATION

It is proposed that the Committee **RESOLVES**

- (1) To determine its response to the ACAS pay proposals and thus the Employers consultation on this issue.
- (2) To Instruct the Chief Executive to write to the Deputy Prime Minister expressing the Council's grave concern at the potential effect of this

settlement combined with the increase in National Insurance contributions on the Council's budget for 2003/4, with copies to the two Local Members of Parliament and the Local Government Association.

- (3) To instruct Officers to examine and report back on possible options to the Authority remaining tied into the national scheme in terms of staff pay and conditions.

Paul Warren

Chief Executive

Background Papers:

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APPENDIX 1

Pay Dispute News

Monday 12th August 2002

employersorganisation

LGA chair says: 'Acas proposals make sense'



SPEAKING AFTER the announcement of Acas' proposals, Sir Jeremy Beecham, Chair of the Local Government Association, said: "I am pleased that a way forward has been found in the local government pay dispute. Although the

increase is somewhat higher than ideally I might have wished, old fashioned compromise was vital.

"The prospect of reform and renewal in local government being stalled by bitterness and division was not an appealing one. The good

name of local government was beginning to suffer.

"The increases are challenging for managers but the evidence is that they are manageable, though probably at the cost of jobs and services and for some authorities only with difficulty."

The pay increase: what staff would get

UNIONS HAVE agreed to suspend all industrial action involving local government workers while both they and the employers consult on the recommendations made by Acas.

The breakthrough came following two days of talks and the tabling of two previous offers by the employers, which were rejected by the unions.

The Unions wanted rises averaging nearly 12% and had previously rejected the 3 per cent offer on the table.

Under the Acas proposals, council workers would receive a settlement costed at 3.58% in 2002 and 3.6% in 2003.

The unions have accepted that local authorities do not have limitless resources and that there are business requirements in local government, which mean that available resources should be put to best use for stability in the sector. This has been reflected in their acceptance of a bottom-loading proposal that is only 2.4% of the overall costs.

The overall out turn cost of the proposal is 7.83%. This figure is made up of the following elements:

YEAR 1 - April 2002

The first stage of the proposal is for all employees, except the lowest paid, to receive 3% from the 1 April 2002.

Those on the lowest point would have their hourly rate increased to £5 an hour. This equates to an increase of 4.1% (cal-

culated on the annual full-time salary).

The overall effect would be an increase of 3.04% on the basic pay bill.

October 2002

The second stage of the proposal would add a further 1% to the 31 March 2002 salary rates for all employees, except those on the bottom two pay points, from 1 October. Employees on the bottom two points would receive an extra 2% increase to their 31 March 2002 salary rates from 1 October. This would add a further 1.07% to the basic pay bill.

The out turn figure for the end of year 1 is therefore 4.11% higher than the 31 March 2002 basic pay bill, but the overall cost for the year is 3.58% due to the staging of the proposal.

YEAR 2

The third stage of the proposal is for all employees, except those on the bottom two pay points, to receive a 3.5% pay increase from 1 April 2003.

Employees on the bottom two points would receive an increase of 4.5% from 1 April 2003.

This would add 3.6% to the 31 March 2003 basic pay bill.

A further element of the Acas proposal is the establishment of a commission providing the opportunity for a genuine debate on pay and related issues.



A solution in the best interests of local government

COUNCILLOR BRIAN Baldwin, chair of the employers' side of the NJC, speaking after the announcement of Acas' proposal, said: "I am pleased that both sides have agreed to recommend Acas' proposals and I am confident that this is the best solution in the interests of local government, the public and our staff.

"There's no doubt, however, that these proposals present a challenge to councils to ensure that services are maintained. Councils have to find a balance between pay, the need to protect jobs and the demands on council taxpayers. The proposals are right at the limit of affordability for many councils up and down the country."

For more information contact:

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