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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Review Body Members  
Review Body on Doctors' and Dentists' Remuneration  
Office of Manpower Economics  
Victoria House  
Southampton Row  
London  
WC1B 4AD

31 July 2014

Dear Review Body Members

#### **PUBLIC SECTOR PAY 2015-16**

I would like to thank you for your work on the 2014-15 pay round. I am strongly convinced of the role of the pay review bodies in determining national pay awards in the public sector and appreciate the important part the pay review bodies have played over the last four years. For a number of review bodies this has included providing expert advice and oversight of wider reforms to pay policy and systems of allowances, in addition to the annual award. I am confident the changes brought about by the pay review body recommendations in these areas are making a significant contribution to the improvement and delivery of public services.

2. You will have seen that for the 2014-15 pay round there were some review body recommendations which, after careful consideration, the Government decided were unaffordable at this time. I hope you will appreciate this was a difficult decision and that the Government continues to greatly value the contribution of the pay review bodies in delivering robust, evidence-based pay outcomes for public sector workers.

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3. The Autumn Statement of 2013 highlighted the important role in consolidation that public sector pay restraint has played. The fiscal forecast shows the public finances returning to a more sustainable position. However, the fiscal challenge remains and the Government believes that the case for continued pay restraint across the public sector remains strong. Reasons for this include:

a. Recruitment and retention: While recognising some variation between remit groups, the evidence so far is that, given the current labour market position, there are unlikely to be significant recruitment and retention issues for the majority of public sector workforces over the next year.

b. Affordability: Pay restraint remains a crucial part of the consolidation plans that are continuing to help put the UK back on to the path of fiscal sustainability – and continued restraint in relation to public sector pay will help to protect jobs in the public sector and support the quality of public services.

4. As you are aware, for 2014-15 the Government adopted an approach by which all staff in the NHS received at least an additional 1% of their basic pay. All staff not eligible to receive incremental pay have been given a 1% non-consolidated payment in 2014-15. Other staff will have received an increase worth at least 1% through incremental progression.

5. Unfortunately, the NHS trade unions are not prepared to negotiate an affordable alternative, although we are still open to new proposals. Therefore it is our intention to take the same approach in 2015-16. As a result, the DDRB will not be asked to make recommendations on a pay award for employed doctors and dentists in the 2015 pay round.

6. I note that the DDRB would welcome a proactive and systematic approach to considering contractual issues at an appropriate stage of the consultant and doctors in training negotiations and we will consider taking up

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this offer, subject to progress in the negotiations. The Department of Health will write at an appropriate juncture with more details. They will also set out the remit for independent contractors in the usual manner.

7. I look forward to your reports, and reiterate my thanks for the invaluable contribution made by the Review Body on Doctors' and Dentists' Remuneration during the course of this Parliament.

A handwritten signature in black ink, appearing to read 'Danny Alexander'.

DANNY ALEXANDER

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