

**RESPONSE TO SCRUTINY OF THE COUNCIL'S RESPONSE TO THE COALITION
MANIFESTO AND EMERGENCY BUDGET**

To: **Cabinet**

Date: **7th September 2010**

From: **Corporate Director: People Policy & Law and,
Corporate Director: Customer Service & Transformation**

Electoral division(s): **All**

Forward Plan ref: **N/A** *Key decision:* **N/A**

Purpose: **To welcome and provide a response to the Scrutiny of the
Council's response to the Coalition Manifesto and
Emergency Budget and**

Recommendation: **To approve the response to the Scrutiny Report**

For more information on whether the decision should be classed as a key decision
please see the following link and refer to article 14 " Decision making"

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1. BACKGROUND

- 1.1 The Corporate Issues Scrutiny Committee carried out a review of the Council's response to the Coalition manifesto and the emergency budget. That report is presented separately to this meeting of Cabinet. This report presents the Cabinet response to the recommendations in that report.

2. MAIN ISSUES

- 2.1 The Scrutiny Review considered a number of issues relating to the Coalition manifesto and the emergency budget. The Committee made three recommendations arising from their deliberations. They are listed separately below with the response from Cabinet to each recommendation.

2.2 RECOMMENDATION 1 - REVIEWING PAY ARRANGEMENTS FOR HIGHER PAID STAFF

The Cabinet should investigate the viability of introducing pay cuts for higher paid staff to ensure that public sector pay reflects the local labour market and economic conditions.

Cabinet Response

The Cabinet welcomed the opportunity to review the issues involved in determining the pay for higher graded employees within the authority and has given this careful consideration.

In responding to this recommendation, it is considered important that the response is placed within the correct context. Within Cambridgeshire County Council, unlike the majority of local government employers, pay increases for higher graded employees are already determined locally rather than being set nationally through the National Joint Council for Local Government Services. In addition, Cambridgeshire County Council was one of the early adopters and implementers of a harmonised approach to pay and grading structures for both former manual workers and former administrative, professional, technical and clerical employees. This arrangement forms the basis of the 'single status' agreement within the authority, which has enabled the Council to manage its workforce without having to suffer the consequences of costly equal pay claims. When first implementing the current pay structure that the Council applies, in 2003, as a part of the 'single status' agreement the Council's pay line was set below that of the 'market median'. Because the Council introduced new pay policies for these higher graded employees as a part of single status implementation, it has not increased pay levels for these workers at the same rate as those set by national bargaining arrangements. The annual increase, or cost of living award, the Council has applied for these groups of employees has been consistently below that agreed nationally for the past 7 years. This difference has been on the basis of the Council's local pay arrangements which require that the cost of pay progression, i.e. movement through a pay grade, as well as an annual uplift or cost of living award, have come from within the same cost envelope. This differs significantly to the approach in other Councils where these elements

represent two separate sets of costs, i.e. cost of living increase and the cost of pay progression.

In considering the local labour market and economic conditions within Cambridgeshire, it is the view of the Cabinet that the current arrangements enable the authority to effectively balance the costs of employment with the requirements to be a good employer. This has enabled the Council to recruit and retain skilled and capable employees, who have proven essential for the delivery of services to the public and the effective management of the Council. Given that the local labour market across Cambridgeshire and particularly within Cambridge City and South Cambridgeshire is relatively buoyant, the Council needs to be able to continue to recruit and retain high quality employees. In doing so the Council has to compete against a range of other employers across the public, private and voluntary sectors. Seeking to have Council pay arrangements reflect the local labour market equally brings with it the issue of potentially having pay differences across the geographic county, e.g. paying more for employees located in Cambridge City and paying less for people undertaking work of the same value if based in a less expensive parts of the local labour market. Such action immediately raises the threat of extremely costly equal pay claims being raised. In addition to this risk, if the Council were to seek to align pay levels to the local economy, this would mean that if the Cambridgeshire levels of pay were to increase above the broader economic position in the UK, then the Council would be placed in the invidious position of paying more than other employers.

Finally, pay and the consideration of pay awards and the basis upon which pay grades are set all form explicit elements of the contract of employment between the County Council and individual employees. Attempting to change the contract of employment unilaterally and impose pay cuts would essentially be considered a fundamental breach of the contract of employment or could easily lead to a significant range of constructive dismissal claims, or another form of legal action via the employment tribunal or through other civil means.

Such actions are not considered by the Cabinet to be consistent with the approach to people management and development that this Council has sought to develop as an employer over a number of years. Instead, it is the view of the Cabinet that issues of affordability are already sufficiently incorporated into the pay determination decisions made by the Council for these higher graded employees. For example, the Corporate Leadership Team pay levels were frozen during the 2009/10 financial year and Heads of Service and Management Band employees received no cost of living award; and, the Chief Executive's pay remains as negotiated in 2007.

It is through these arrangements and decisions that the Council is able to more accurately reflect the local economic climate and affordability issues in a manner that is considered to be proportionate and appropriate, rather than seeking to reduce the pay for employees on an arbitrary basis. Based upon all of these points, the Cabinet has decided not to support this issue from the Corporate Issues Scrutiny Committee and will not be seeking to progress this recommendation

2.3 RECOMMENDATION 2 - REVIEWING PAY ARRANGEMENTS FOR NON SCHOOLS BASED LOCAL GOVERNMENT EMPLOYEES

The Cabinet should investigate the implications of opting out of the National Employers' Organisation for Local Government negotiation process for non-schools based Local Government Employees.

Cabinet Response

For Local Government Employees, i.e. the majority of directly employed Council workers, whose pay and conditions of service are the subject of national collective bargaining, the recommendation that the Council consider opting out of the national bargaining arrangements is noted. Whilst noting that there are potential benefits to local pay bargaining, including a greater ability to undertake more effective medium term financial planning, the Cabinet has taken a number of key factors into account in arriving at its decision. Some of these factors are summarised as follows:

- National bargaining arrangements are considered to be the most economic and efficient means with which to achieve negotiated settlements for the large proportion of our employees. The economies of scale afforded by having this led via Local Government Employers' (LGE) nationally means that the Council does not have to invest in developing the necessary capacity and expertise to undertake local pay bargaining.
- There is strong evidence to indicate that those Councils that have chosen to opt out of the national collective bargaining arrangements have had to pay higher levels of pay awards than those that have been achieved via national pay bargaining. Equally, where Councils have chosen to opt-out of national pay bargaining arrangements they have essentially been required to 'buy out' or otherwise incentivise employees to move away from the nationally agreed pay and conditions arrangements. Such investment or incentive is not considered appropriate or affordable at this time, particularly in the context of some 5,500 employees.
- Were the Council to implement local bargaining and subsequently failed to reach a negotiated settlement upon a pay award this could lead to local industrial action which could be extremely damaging to the reputation of the Council. Whilst this risk exists within the current negotiating framework, any dispute arising through national bargaining is not solely as a consequence of the actions of this Council, but is, instead, as a consequence of the collective action of employers'. The reputational impact is therefore mitigated by being part of the national pay bargaining arrangements.
- Cambridgeshire County Council was one of the early adopters and implementers of a harmonised approach to pay and grading structures for both former manual and former administrative, professional, technical and clerical employees. This harmonisation formed the basis of the 'single status' agreement within the authority, which has enabled the Council to manage its workforce without having to suffer the consequences of costly equal pay claims. Seeking to move away from the 'single status'

agreement, which is aligned to the national collective bargaining arrangements, may lead to such claims being submitted in the future.

- The Council has already embarked upon an ambitious transformation agenda as set out in the Integrated Plan for 2010. This transformation will require fundamental change to the workforce of the authority and will lead to reductions in the number of people that the Council employs. Such change and the continued delivery of high quality, value for money, services can only be achieved if the Council seeks to take its workforce with it. Seeking to fundamentally change or otherwise move away from the national pay and conditions of service whilst at the same time as reducing and reforming the workforce is considered to be too high a risk to progress. The impact upon morale, productivity and retention of the high performing employees that the Council will need into the future could potentially suffer as a consequence of seeking to adopt such change.

Cabinet has considered the recommendation made, but does not judge it appropriate to accept or implementation this recommendation at this time. The Cabinet does however remain open-minded to this issue and would be willing to re-assess this recommendation in the future.

2.4 RECOMMENDATION 3 - TRANSFORMATION AND COMMUNICATION

Cabinet should proactively communicate and sell the process for achieving service changes to both local authority employees, partner organisations and the public.

Cabinet Response

This recommendation is supported. The Council's Corporate Communications team has recently revitalised the employee suggestion scheme (Efficiency Bright Ideas), where employees can make suggestions which will save money. Employees will be encouraged to put forward ideas relating to all services as the majority of suggestions to date relate to corporate activities. Consultation with the public as part of the Integrated Plan process will highlight the need to transform services.

Work with partners, including Northamptonshire CC as part of Local Government Shared Services, continues to progress with the aim of making service changes which will both make savings and change ways of working. Each service transformation project/programme will identify the communications required to effect and embed the changes required to realise the benefits (financial and non-financial) of the project. Further work is in hand to define a consistent approach to service transformation to ensure effective communication underpins those programmes of work.

3. SIGNIFICANT IMPLICATIONS

3.1 Resources and Performance

The following bullet points set out details of significant implications identified by officers

- Significant implications arising from Recommendations 1 and 2 proposed by the Scrutiny Committee relating to industrial relations and the potential for industrial disputes if these recommendations were accepted.
- Significant financial implications arising from Recommendations 1 and 2 proposed by the Scrutiny Committee relating to the cost of renegotiating pay arrangements and supporting local pay bargaining.
- Significant reputational implications arising from Recommendation 1 proposed by the Scrutiny Committee relating to introducing pay cuts to a large number of employees, many of whom are also Cambridgeshire residents and taxpayers.

3.2 Statutory Requirements and Partnership Working

- Significant legislative risks relating primarily to employment law arising from Recommendations 1 and 2 proposed by the Scrutiny Committee, with a high degree of statutory risk if these recommendations were accepted.

3.3 Climate Change

(Includes any climate change, greenhouse gas emissions and environment implications and where significant, they are set out below)

- None.

3.4 Access and Inclusion

(includes inclusion, crime and disorder, the voluntary Sector, equality and diversity and transport implication and where significant, they are set out below)

- Significant equality and diversity in employment implications, particularly relating to equal pay legislation and the Council's positive public sector duties as an employer arising from the implementation of Recommendations 1 and 2 proposed by the Scrutiny Committee.

3.5 Engagement and Consultation

(includes community engagement and public consultation and where significant, they are set out below)

- None.

Source Documents	Location
People Strategy 2006-2010; Local Government Pay and Conditions of Service (Green Book), 1997; Cambridgeshire County Council Single Status Agreement; Cambridgeshire County Council Pay Policies and Pay Practice.	Corporate Directors' Office, Room 112, Shire Hall, Cambridge