

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

*To:* **Cabinet**

*Date:* **7 September 2010**

*From:* **Corporate Issues Scrutiny Committee**

*Electoral division(s):* **All**

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

*Key decision:* **No**

*Purpose:* **To present the findings and recommendations from a scrutiny review of the Council's response to the Coalition manifesto and the emergency budget.**

*Recommendation:* **That Cabinet consider the Committee's findings.**

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## **1. BACKGROUND**

- 1.1 The Corporate Issues Scrutiny Committee met on the 14<sup>th</sup> July and considered a report outlining some of the potential financial implications arising from the Coalition Governments' manifesto and the emergency budget.
- 1.2 The Committee questioned the following at the meeting, and were grateful for their input:
  - Councillor John Reynolds, Cabinet Member for Resources and Performance
  - Nick Dawe, Corporate Director: Finance, Property and Performance
- 1.3 The Committee recognised that the Council is working in a rapidly changing political environment and that the full implications of national level decisions will not become clear until the completion of the Comprehensive Spending Review later in the year. It is therefore likely that the financial implications outlined in the report will change over time. Nonetheless, the Committee felt that there were three issues that should be drawn to the attention of Cabinet at this early stage to assist the Council's planning for significant financial reductions in the future, which are highlighted in the following sections of this report.
- 1.4 A full record of the discussion is recorded in the minutes of the meeting, which are available on the Council's website and on request from the Scrutiny Development Coordinator.

## **2.0 WORKFORCE COSTS**

- 2.1 The report to the Committee noted that the potential net implication of the emergency budget could be a reduction of £6.3 million to the Council's budget for 2010/11. This is in addition to a challenging savings target of £22.1 million for the same period within the Council's current Integrated Plan and does not include reductions to grants provided to the Council. Similar reductions could also be expected in the following three years.
- 2.2 Members queried the Council's contingency planning arrangements to cope with the significant reductions expected to the Council's budget. In particular, they focussed on workforce costs for higher paid staff (i.e. Management Band employees and above) as these account for a significant portion of the Council's budget requirement.
- 2.3 In response, Members were advised that careful consideration had been given through the Integrated Planning Process to staffing issues and a planned downsizing of the organisation was underway. This process involved holding vacant posts, where possible, except in the case of front line posts which were being filled immediately unless there were good reasons not to.

- 2.4 In addition, Members considered the Council's current approach to paying its employees, in light of recent announcements by the Coalition Government to introduce a pay freeze for public sector workers earning over £21,000 per annum for 2011/12 and 2012/13. Those earning less than £21,000 would receive a flat £250 increase in these years.

#### Higher Paid Employees

- 2.5 Members noted that the pay freeze announcement would apply to all Management Band, Head of Service and Corporate Leadership Team employees. The pay scales for these employees are negotiated locally and Members were advised that there had been no increase in pay in 2009/10 and that there was an expectation that this would also be the case in 2010/11.
- 2.6 However, One Committee Member suggested that the Council could take a bolder move by opting for a significant pay cut for higher paid employees in order to benefit the retention of other jobs. Whilst no specific evidence was cited, this Member believed that this would bring public sector pay for higher paid staff in line with similar positions in the private sector.
- 2.7 The Committee debated these issues and noted that whilst pay cuts for higher paid staff could have a significant bearing on the ability of the Council to meet its savings targets, it would be important for the Council to consider such a significant change thoroughly before implementation. This would necessitate an examination of the local labour market and economic conditions to ensure that any changes to the Council's payment arrangements for higher paid staff would enable the Council to remain a competitive employer within the region. Clearly, this competitiveness is crucial to enable the Council to continue to retain and recruit high calibre staff.
- 2.8 Nonetheless, given the extremely challenging financial circumstances facing the Council, the Scrutiny Committee believes that all options for meeting this challenge must be considered. Members therefore recommend that Cabinet undertake a review to assess the viability for the Council to reduce the pay of higher paid employees. Clearly, in undertaking this review, it will be important to define the term 'higher paid employee' in terms of a minimum payment threshold. However, the Committee believe that this should form part of the review and have not chosen to propose an arbitrary figure.

#### **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.

## Local Government Employees

- 2.9 Pay scales for non schools based Local Government employees (currently ranging from a minimum of £12,145 to a maximum of £41,616) are based on nationally negotiated pay rates (National Joint Council pay spine).
- 2.10 The Committee felt that it would be sensible for the Cabinet to assess the potential advantages and disadvantages of continuing with this arrangement against the possibility of opting out. This recommendation was made on the basis that opting out of the scheme could provide the Council with increased flexibility to meet local circumstances more effectively. However, Members again stressed that it would be important to undertake a thorough review of this proposal and remain open minded at this stage.

## **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.

## **3.0 EFFECTIVE COMMUNICATION**

- 3.1 A key line of enquiry for Members centred around the extent to which the Council is adopting imaginative, transformational solutions to deliver more, or the same services, for less. Members were concerned about the potential risk of continual 'salami slicing' which would gradually erode the quality of services across the Council.
- 3.2 In response, Members were advised that the process of re-engineering was taking place across all services, in consultation with all relevant stakeholders, and the library service review was cited as an example. It was further explained that radical options were being considered in a number of cases, which could lead to other organisations within the not for profit sector taking on new responsibilities. A consultation exercise would take place in the near future.
- 3.3 However, one Member welcomed the Library service review but had concerns about the Youth service review as he felt that the fundamental principles of transformation were not being applied in the same way.
- 3.4 Other Committee Members developed this point by stressing the need for Cabinet to communicate the importance of taking transformational initiatives both within the Authority, and with partners and the public. It was suggested, for example, that this might encourage Parish Councils to increase their precept and fund some local services.

- 3.5 The Committee therefore recommends that Cabinet should take a more proactive lead in communicating to all services the importance of adopting a transformational mindset when undertaking internal reviews and restructures. These messages should also extend to work with partners and the general public so that the full gravity of the current financial circumstances are understood and can be addressed through transformational methods.

### **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.

## **4. SIGNIFICANT IMPLICATIONS**

### **Resources and Performance**

#### **Finance**

- 4.1 This report includes a recommendation to review whether it would be viable for the Council to introduce pay cuts for higher paid staff.

#### **Human Resources**

- 4.2 Professional Human Resources support would be required to undertake the reviews identified in recommendations 1 and 2. This presents capacity issues as this resource is currently being diverted to Local Government Shared Services (LGSS).
- 4.3 Any changes arising from the reviews could have significant implications for collective bargaining arrangements and contracts of employment.
- 4.4 Any changes arising from the reviews could have significant implications for the recruitment and retention of employees, as identified in section 4.5.

#### **Key Risks**

- 4.5 The Council's Strategic Risk Register includes a risk regarding recruitment, retention and development. The proposed reviews identified in recommendations 1 and 2 would need to take account of this strategic risk to ensure that any short term savings were not counter productive in the mid to long term.

### **Statutory Requirements and Partnership Working**

- 4.6 There are no significant implications arising from the recommendations.

## Climate Change

4.7 There are no significant implications arising from the recommendations.

## Access and Inclusion

4.8 There are no significant implications arising from the recommendations.

## Engagement and Consultation

4.9 Recommendation 3 proposes that Cabinet should proactively communicate and sell the process for achieving service changes to both local authority employees, partner organisations and the public. This would place extra demands on communication resources.

Source Documents	Location
Corporate Issues Scrutiny Committee minutes from the meeting on the 14 <sup>th</sup> July 2010	Shire Hall Room 221 (please contact Robert Jakeman on 01223 699143 or <a href="mailto:robert.jakeman@cambridgeshire.gov.uk">robert.jakeman@cambridgeshire.gov.uk</a> )