

Somerset County Council

Cabinet
– 4th November 2009

Item No. 5

Outline proposals concerning cross-organisational people management

Cabinet Member: Harvey Siggs

Division and Local Member: All Members

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Summary:	This Report identifies a suite of options that, subject to the current MTFP process, might be required by the Administration to further cut costs.		
Recommendations:	<p>The Cabinet is asked to make a recommendation against each of the options contained in this paper (1 to 4) with a view to them being progressed further.</p> <p>The Cabinet is also asked to agree formally to implement a recruitment freeze which is designed to save costs and go some way to protect the jobs of existing employees.</p>		
Reasons for recommendations	The Administration has set a stretching target for SMB to save costs across the Council and these form part of the current MTFP process. Dependent on the outcome from the MTFP, there might be a requirement to realise further savings and the options contained in this paper represent such savings.		
Links to Priorities and Impact on Service Plans:	This links to all aspects of the Council and impacts on service plans in terms of future resourcing.		
Financial Implications:	<p>The options contained in this paper all have financial benefits in terms of the <i>potential</i> for cost savings, but care needs to be exercised in assuming their financial impact. For example, there is no council budget for incremental progression as provision for this in the past has been gained largely through vacancy management. Many staff in the CYPD, for example, are grant funded and as such there would be less of a financial benefit to the Council of not awarding increments.</p> <p>At least three of the options have costs associated with them, as it is highly likely that there will be extensive staff and union resistance to them.</p>		

	In real terms, the costs associated with implementing these options might outweigh the benefits.
Equalities Implications:	There are significant equalities issues with some of the options raised in this paper, most notably concerning age and sexual discrimination, both of which are covered by statute.
Risk Assessment:	Options 1 to 3 are considered to be contractual and Option 4 could be so dependent on how it is progressed and each carries its own level of risk. The risks, although not exhaustive, include industrial action, the need for whole-scale dismissals of up to circa 9,000 staff, claims for breaches of contract, constructive dismissal and unfair dismissal, age discrimination and sexual discrimination.
Scrutiny Recommendation (if any)	The Shadow Cabinet Member for HR and the Chair of Scrutiny have been consulted on the options as detailed, as have the Council's recognised trade unions.

1. Background

- 1.1. The Administration has set an ambitious target to make significant savings in the Council's cost base and to change its culture. This Paper largely deals with cost savings but some of the options being proposed will also have an impact on the culture of the organisation. It has been necessary to make preparations for a recruitment freeze in order to protect the best interests of employees, but this may not be sufficient to save on the people management costs that may be required, thus the reason for the further options.

2. Options Considered

- 2.1. A number of people management options have been considered and the following four are considered to be the most appropriate to take forward, should it be required:
1. A temporary suspension of incremental progression for those staff on Green Book Conditions of Service.
 2. A reduction in the level of compensation payment awarded to staff made redundant.
 3. A temporary drop in the pay band for those officers in the top three tiers (circa 85).
 4. A case by case review of honoraria and market supplement payments.
- 2.2. The savings realisable from each option are dependent on how they are designed and how long they are in place. Incremental progression has a cost of approximately £2.8M per annum (excl. schools). Reducing the pay band of the senior officers to below that of the CPA thresholds would realise approximately £150k. The costs saved in reducing the level of compensation for redundancy payment would depend on the degree of reduction and on the number of declared redundancies. For example, if the compensation payment was reduced from a 3x multiplier factor to 2x, based on last year's redundancy numbers, it would yield a saving of approximately £220k. Reviewing honoraria (for good performance) and market supplement payments might yield, as a guess, £50k worth of savings.

3. Consultations undertaken

- 3.1.** Initial consultation has begun with the Council's recognised trade unions regarding the options contained in this paper. There has also been initial consultation with the unions on the MTFP process at a meeting held on 14 October. The Council has asked for the unions to respond in principle to these options prior to the 4th November meeting.

It is highly unlikely that the proposals will find favour with staff or unions, but the various stakeholders will need to balance the impact of making savings in this way with that of redundancies. As such, it is difficult to judge how acceptable the options will be at this stage.

Should any of these options be taken forward, extensive consultation with all the relevant stakeholders will need to take place.

4. Implications

- 4.1.** Option 4. is the easiest option to implement if undertaken on a case by case basis and would permit a far more consistent approach to be taken with regard to the way the Council recognises good performance.

Specialist legal advice has confirmed that options 1. to 3. are contractual and, as such, the routeway to implement them legally is restricted. Ordinarily in such cases, staff would be asked to volunteer up their contractual conditions. Those staff who do not agree to do so voluntarily will in essence be dismissed and then re-engaged on the new terms.

As such, the Council is highly dependent on gaining the good will of its staff to voluntarily give up on its contractual rights. On the face of it, staff may be willing, for example, to give up an increment, but this needs to be considered in conjunction with the impact that this would have on their pension should the increment not be re-paid at some point in the future. Once staff realise the full financial impact, they are much less likely to volunteer.

There is also a legal requirement to consult with all affected staff and this is a minimum of 90 days for options 1. and 2. (and option 4 dependent on what is invoked) and 30 days for option 3. Once the consultation period has been concluded, there must then be the same notice as that stipulated in the respective members of staff's contract to make the contractual change. In many cases, this would be an additional 90 days.

The magnitude of the above processes, which will affect circa 9,000 staff, should not be under-estimated.

- 4.2.** The risks to the Council, notwithstanding that of legal challenge, in implementing options 1. and 3. are considered to be very high, in option 2. high and in option 4. low.

With regard to option 1., increments have been seen to be automatic and custom and practice in local government for many years and, as such, the reaction by

staff and unions to them being removed may be beyond that of their financial worth.

With regard to option 2. and the current economic climate, the Council might be seen to offer a level of compensation for redundancy that is now considered to be generous. However, this needs to be tempered against an opposing view held by staff who will soon recognise that there will be many more redundancies in the Council and as such they will be more motivated to protect the current position.

With regard to option 3., this would lead to the Council's senior officers being paid less than their counterparts in other SW councils. In addition to the implications already stated, this would likely lead to:

- high wastage with a difficulty to re-recruit, or the need to add a market supplement which would negate any financial benefit
- poor morale
- reduced productivity and willingness to work 'above and beyond'
- A reduction in the level of leadership being exhibited

With regard to option 4., if handled correctly, it would lead to a greater level of consistency in the awarding of honoraria for both good performance and additional responsibilities. With regard to the payment of market supplements, it would better ensure that the Council's payments were in line with the current economic position concerning pay and the recruitment market place.

5. Background papers

5.1. None

Note For sight of individual background papers please contact the report author