



THE EAST CAMBRIDGESHIRE DISTRICT COUNCIL (LOCAL GOVERNMENT) PAY AND WORKFORCE STRATEGY

INDEX

	<u>Page</u>
1. Introduction	1
2. Overall Strategic HR Priorities	1-2
3. Context	2
Priority 1 – Developing leadership Capacity	2-3
Priority 2 – Developing the Skills and Capacity Of the Workforce	3-5
Priority 3 – Developing the Organisation	5-10
Priority 4 – Resourcing Local Government	10-13
Priority 5 – Pay and Rewards	13-18
4. Updating, Revising and Measuring the Strategy	18

THE EAST CAMBRIDGESHIRE DISTRICT COUNCIL (LOCAL GOVERNMENT) PAY AND WORKFORCE STRATEGY AND ACTION PLAN

1. INTRODUCTION

The National Pay and Workforce Strategy sets out a comprehensive approach to help ensure that local government has the right numbers of people in the right jobs with the right skills to deliver improved services, greater productivity, and better customer focus.

It follows the requirements set out by the Cabinet Office for all government departments and is therefore part of a national strategic initiative for the public sector workforce.

The Office of the Deputy Prime Minister (ODPM) and the Employers Organisation (EO) have developed the National strategy, with input from other government departments and relevant agencies and professional organizations. It has been endorsed by the Local Government Association (LGA).

The actions set out in the action plan are designed to enable the Council to address the five priority pay and workforce issues set within the strategy.

The Audit Commission will be able to assess the progress of the Council in this key work area through the 'corporate governance' part of the CPA.

2. OVERALL STRATEGIC HR PRIORITIES

The strategy focuses on five priority areas that are recognised as being crucial for getting the best out of people. The Pay and Workforce Strategy will be considered successful if there is improvement within each of the priority areas.

Developing Leadership Capacity

- Among both officers and Members, including attracting effective leaders into local government from outside the sector.
- That there are sufficient people with leadership and management skills in the Council.

Developing the Skills and Capacity of the Workforce

- Across the corporate centre, specific services, management and the frontline workforce.
- Actively engage in developing the workforce and elected Members. Increase the career pathways and development opportunities for staff at all levels.

Developing the Organisation

- To achieve excellence in people and performance management, partnership working and the delivery of customer focused services.
- Improving the image of Local Government as an employer.

- Having better workforce data available as a basis for strategic workforce planning.

Resourcing Local Government

- Ensuring that authorities recruit, train, and retain the staff they need and address diversity and equality issues.
- There are suitable people employed in key occupational areas such as Environmental Health and Planning.

Pay and Rewards

- Having pay and reward structures that attract, retain and develop a skilled and flexible workforce while achieving value for money in service delivery.

National and regional action to address these priorities will be taken forward by the ODPM and the EO, working closely with government departments, the other central bodies and regional partners, with the close involvement of the LGA. An implementation plan has been developed to help local authorities respond to these priorities in ways that help solve local pay and workforce issues. Partnership working is seen as crucial to the success of parts of the strategy and it should be fostered where appropriate.

3. **CONTEXT**

Priority 1 - Developing Leadership Capacity

The availability of enough good leaders, both elected members and officers, is essential to achieving sustained improvement in local authority performance, efficiency and service delivery.

Elected Members: There is an urgent need to attract more people from a wider range of backgrounds to stand for election and to provide them with better training and support. Effective political leadership is required to secure sustainable improvement in local public services. In 2001/02 there were 21,268 elected members in England and Wales, 66% of whom were men and 44% aged 60 or over. This implies an urgent need for effective succession planning by local authorities and political parties. Induction and training for members is patchy. Average spend on member training and development has risen from £155 per member in 2002 to £194 in 2003 but it is still a low figure. This is concerning, given the link identified in the CPA between a lack of capacity and understanding among councillors and the poor performance of a council. Local and central government together need to address issues around local democracy, communication, image, diversity, organisation and remuneration in order to increase the number of good candidates standing for election to local councils and the training provided for them once they are elected, especially to executive, cabinet and scrutiny posts.

Senior Local Government Officers: A recent SOLACE/EO survey of recruitment and retention amongst senior managers in local government found that Chief Executives felt that the quality of applicants for chief officer posts had declined in recent years. Well-publicised cases of high salaries offered for certain Chief Executive posts indicate that elected members also sense that they are competing

for scarce talent. This suggests that authorities are competing across a pool of candidates that is simply too small and more needs to be done to widen search and selection procedures, including bringing on internal talent and attracting applicants from outside the sector.

Only 4% of authorities have succession planning in place and only about 10% make any effort to identify 'high fliers' from within their organisation as part of the appraisal process. A recent survey of 198 local authorities showed that they recruited their top managers from the following sources:

Organisation/Section	Number/Percentage
Internal Appointment	488 (46.3%)
Other local authority	450 (42.8%)
Private Sector	51 (4.8%)
Other Public Sector Body	41 (3.9%)
NHS	10 (0.9%)
Civil Service	10 (0.9%)
Voluntary Sector	4 (0.4%)

No less than 89% of Chief Officer posts were recruited from within the local authority sector where it is known that too little attention is paid to succession planning and leadership development. Attracting more and better leaders into local government from elsewhere is a priority. More investment is required in identifying and developing future leaders from within and adopt strategic succession planning. This will require co-ordination nationally and regionally and a deeper understanding of the nature of leadership in the sector, building on the work of the Leadership Development Commission.

Turnover amongst the 7641 Chief Executives and Chief Officer posts is only 6% per year so retention is not a major issue. The SOLACE/EO survey found that more Chief Executives believed that turnover in their council at this level was too low than thought it was too high. However, some local authorities judged 'poor' and 'weak' in the CPA are experiencing retention difficulties at the most senior levels as staff leave and vacancies have to be covered through interim management and consultancy arrangements. It is expected that the CPA process will lead to a greater level of movement at senior levels in local government, with ambitious managers moving to poor and weak authorities where there is scope to lead and deliver improvement.

Priority 2 - Developing the Skills and Capacity of the Workforce

The following skills have been identified as vital for improving the performance and efficiency of local government in the short and medium terms:

- a) **Financial Management:** Good financial management is at the heart of all good and excellent authorities, ensuring that the authority can direct resources towards delivering its priorities. Local Government needs to recruit and retain enough financial specialists, especially given the current emphasis on efficiency and keeping Council Tax down.

- b) **HR Management:** There is a need to develop the skills of line managers and the HR function in workforce planning, managing performance and managing and negotiating change. All authorities need to put in place effective performance management arrangements for their staff, linked where appropriate to pay and rewards and including fair but robust arrangements to deal with poor performance where it occurs.
- c) **Procurement and Project Management:** Local authorities needs more people trained in procurement and project management to deliver service improvement projects on time and within budget. Good project management is essential to the success of work around e.government, back office reform and service delivery partnerships.
- d) **Partnership Working:** This becomes more critical as authorities move from being direct suppliers of services towards more of a commissioning role, creating and managing service delivery partnerships with a variety of public, private and voluntary sector organisations. Local government urgently needs to develop the skills and capacity to lead effective local partnerships, especially around local economic development, regeneration and community safety.
- e) **New ways of working - especially 'e':** Councils face significant challenges in introducing new work processes and technology, including the cost of recruiting and retaining specialists, broadening e-skills throughout the organisation and developing understanding amongst members and senior officers. As integrated IT systems replace many traditional administrative tasks, councils need to retain staff to perform more customer facing roles.
- f) **Frontline Customer Service:** As emphasised by the government and the Efficiency Review, there is a need to invest more in the frontline delivery of public services and this is likely to require specific development programmes for frontline staff, including customer care skills.

Although local government employees are more likely to have received recent training than employees in the wider economy, there is a history of under-investment in the development of the local authority workforce. In 2002, local authorities on average provided only 1.4 days and spent only £172 per employee on off the job training. Although this rose to 1.8 days and £207 in 2003, this is still an inadequate basis on which to build a skilled, high performing workforce. Even within these modest totals, the incidence of training is higher amongst managers and professional staff than for front line and administrative staff, contributing to inequalities in career development. It is significant that, in the first round of comprehensive performance assessments, only 14 out of 150 authorities were commended for their staff development activities.

While it is encouraging that 84% of authorities (covering some 69% of the workforce) have gained Investors in People for at least part of their organisation, much more is needed. As the Local Government Pay Commission noted, "Investment in employee training and development has a key role to play in achieving and sustaining improvement in local government services.

Three issues need to be addressed to secure sustained improvement in the development of the skills and capacity of the local government workforce, learning from successful initiatives in the NHS and schools' workforce:

- a) The need to develop 'skills pathways' to address skills shortages and to allow individuals the opportunity to progress to higher skilled and better-paid jobs within authorities. They provide a potential route out of lower-paid work and help the employer with succession planning and filling posts from within.
- b) Making the 'skills pathways' work by supporting employees with the training needs to acquire new skills and move onwards and upwards.
- c) Ensuring that those who improve skills also improve their pay and prospects. This is a critical element of a skills pathway or escalator approach and raises questions about managing expectations and affordability. With organisational changes and the adoption of e.government, it is likely that councils in future will employ fewer people directly but those that remain are likely to be higher-skilled and on average better-paid.

The Local Government Pay Commission made the following observations on skills and capacity issues:

- Recommended broadening the training aspects of Part 2 of the national agreement and removing the current Part 2 provisions. Also recommended providing guidance in part 4 to assist implementation of local plans.
- Local training and workforce plans should be developed on a partnership basis.
- The NJC should encourage the use of external benchmarks for training and development.
- Recommended encouraging supporting statutory Union Learning Representatives.
- Encouraged the further development of graduate development schemes.
- Encouraged the greater use of Modern Apprenticeships as part of Workforce Planning.
- Encouraged the development of career pathways and opportunities.

Some of these issues, such as the treatment of training and development in the national agreement, are being taken forward by the National Joint Council (NJC). Others will be considered for inclusion in the Implementation Plan of the National Pay and Workforce Strategy, subject to agreement on how they could be implemented and funded.

Priority 3 - Developing the Organisation

Councils require the corporate capacity and systems to manage their resources, including staff, to deliver an increasingly demanding agenda around service

transformation, efficiency, partnership working and customer care. Many councils excel in one or more of these areas but during the first round of CPA, the Audit Commission found the following consistent weaknesses, especially in those councils judged 'poor' and 'weak':

- The inability of the top team to think strategically and act corporately rather than in silo departments
- Poorly developed team working amongst chief officers
- The production of strategies not matched by the capacity to implement them and ensure their delivery
- Limited expertise in change management, performance management and prioritisation
- Weaknesses in project and programme management
- Ineffective partnership working
- Failures of or failure to use systems analysis
- Insufficient senior management skills in developing others by coaching, appraisal, goal setting, follow-up and empowerment
- Weakness in scrutiny arrangements
- Particular weaknesses in the ability of councillors to take a strategic point of view, to focus and to prioritise.

There are also aspects of the prevailing local government 'culture' that needs changing to support performance improvement. This includes empowering people at all levels, especially middle management, to take decisions and to use their initiative rather than simply following procedures. It also requires improving member/officer relations, establishing managed risk taking as part of people's work and ensuring that staff receive proper recognition and are valued for the work they do.

Some of the current organisational changes present particular challenges but also opportunities for the workforce. These include e-government, flexible working and workforce remodelling.

1. **E Government, Flexible Working and Workforce Remodelling**

Delivering e-government successfully requires wholesale business transformation, including offering services at times and in ways customers want, through the internet, over the telephone and face to face. Face to face services remain vital, but are being transformed by one stop shops, where fully trained staff access information, update records, take payments and book services on the spot, trying to resolve over 90% of enquiries at first point of contact ie through CRM. This requires local authorities to redesign their back office systems to eliminate duplication and share information. It

also requires staff to work more flexibly, providing opportunities for working from home or dedicated teleworking centres.

There is already evidence of progress in this area:

- The use of flexitime systems is higher within local authorities than in the wider economy, although there is further scope to introduce new systems tailored to particular services;
- Authorities have adopted compressed weeks or fortnights, where employees work their hours over a shorter period of longer days enables opening hours to be extended;
- Greater use of home and remote working, with an associated shift in emphasis to the management of outcomes rather than counting working time;
- Some local authority call centres, one stop shops and other services already have an extended operating day, reflecting customer demand and more flexible working patterns.

There is some evidence of unequal access to flexible working arrangements within authorities both at frontline and senior levels. e-Government has the potential to enrich the working lives of local authority employees by supporting more flexible work patterns, improving work/life balance and reducing time spent on unproductive activities such as travelling and unnecessary paperwork. New technologies allow employees to work in the most convenient location for the task and to get closer to customers and other agencies delivering services. Extended operating days allow employers to offer flexible shift patterns and more choice of working hours so that employees can develop better work/life balance.

New technologies also reduce the need for routine administrative tasks and so free up staff to deliver services. Some front-line workers routinely travel long distances for meetings that could easily be held remotely on telephone or video links. New systems also share and combine information and deliver it immediately where it is required. Contact centres (CRM) and the web, when supported by fully integrated back offices, can resolve most enquiries at first point of contact, leaving specialist and professional staff time to deal with more complex casework and strategic issues. However, realising these advantages from e-government requires significant changes in local authority organisation and management, with more focus on communication, empowerment, delegation and performance management.

Many of these issues are to be considered further as part of the **Efficiency Review**. This aims to release resources to the front line by promoting more joint working and sharing of services between authorities on procurement and back office functions and making wider use of technology to support the delivery of transactional services such as council tax and benefits administration. There are also likely to be some important proposals in the 'policy, funding and regulation' work stream concerning the leadership role of

local authorities in their communities and promoting more and better partnership working with other parts of the public sector.

Attention needs to be paid to the **Health and Safety of the workforce**, which is a key responsibility for all employers. The EO has produced a handbook on these issues and consultation is underway on incorporation of guidance into national terms and conditions.

The Local Government Pay Commission makes the following observations on issues surrounding the ways in which staff are managed and relate to their organisations:

- Recommend that unions and employers map the extent and use of temporary, agency and casual workers using an agreed methodology.
- Recommend that the 'Finding the Balance' document on work-life balance is promoted further.
- Open up part time working at higher levels and review part time and term-time workers' terms and conditions and access to benefits, seeking win-win approaches to flexibility and ensuring equality of access to training and skills ladders.
- Welcomes Code of Practice on Workforce Matters and encourages local authorities to act in keeping with it.
- Recommend that employers consider the implications of different conditions when using agency staff.
- Investigate issues of pay and benefits for given groups, exploring whether there are instances of widespread or systematic undermining of pay and rewards for any given group.
- Strong endorsement for flexible patterns of working at all levels to ensure that employees can maintain work life balance and that services can be provided in line with user needs (ie give and take).
- Different forms of working practice should be driven both by service demands and the well being of employees.
- Recommend that national bodies consider providing joint support and advice to authorities on workforce planning and strategic integration of different forms and patterns of better service delivery.

Many of these are issues for the National Joint Council (NJC) and are consistent with the suggestion that working practices need to be organised in ways that fit both with the service needs and contemporary staff preferences.

2. **Equality and Diversity**

Equality and diversity are critical elements of this strategy. Local authorities needs a more diverse and integrated workforce and elected membership to

help combat social exclusion and build strong communities. Despite recent improvement in some areas and a number of successful local initiatives, local authorities collectively have some way to go on equality and diversity, particularly in terms of implementing national standards such as the Equality Standard for Local Government.

The Equality Standard requires authorities to mainstream equality into performance management processes at the corporate level to improve access to services for all the community. Developing staff to engage with the process is fundamental to its success. Some issues that need to be addressed are:

- Women comprise over three-quarters of the local government workforce but are under-represented in senior positions.
- While the average number of people with disabilities employed in local government is somewhat higher than the average for all employers, it still does not match the incidence of people with disabilities within the working-age population.
- People from ethnic minority groups are slightly under-represented in the local government workforce and more clearly under-represented in senior positions. Currently only 10% of senior officers are from the black and minority ethnic communities.
- There is an earnings gap between men and women, although this is narrower than in the economy as a whole. In 2002 women working full time in local government earned on average 85.8% of the average full time earnings of men. The gap between female part time workers and male full timers is even greater at 42%.

Notwithstanding this record, there is some evidence of progress in changing the gender profiles of senior management. 13% of Chief Executive posts and 19% of Chief Officer and Director posts are now held by women, compared with 1% and 5% respectively in 1994.

The Local Government Pay Commission makes the following observations on equality and diversity issues. Issues around equal pay are also covered under priority 5.

- Government should consider what incentives it can provide to local authorities to treat equality (including equal pay) as a policy priority within the modernisation agenda. ODPM should require equal pay audits and action plans to be completed to a specified timetable.
- More effort should go into promoting the Equality Standard for local government and monitoring and publicising progress.
- Guidance should be provided on tackling occupational segregation.
- Recommend retaining the presumption that the NJC scheme will be used for job evaluation. Employer proposals for using job evaluation

schemes other than the National Joint Council (NJC) scheme should demonstrate that the proposed scheme fit for purpose in terms of coverage and equality issues. Where this is done, unions should not then oppose and national unions should provide advice to local branches to this effect.

- The NJC parties should consider measures to facilitate the implementation process of the NJC JES without undermining the scheme's principles. Any adjustments should be informed by the experience of local employers and union representatives.
- An equality impact assessment should be applied to proposals for changes to pay and conditions.

The ODPM will consider these proposals alongside other ideas for taking forward the equality and diversity agenda in local government as part of the work of the National Implementation Team for this strategy. The ODPM's Equalities and Diversity Unit is actively promoting research and has supported a programme of regional events to raise the profile of the issue and to discuss possible ways to move forward within a reasonable timeframe.

Priority 4 - Resourcing Local Government

Local authorities recruit around 200,000 people each year and in most cases the recruitment process is successful. However, there are difficulties in particular places such as London and the south-east and with some types of post. Most councils say they can recruit to jobs at the lower end of the pay scale, such as catering, cleaning, refuse collection and clerical posts. Councils sometimes experience high turnover in cleaning and catering jobs, leading to higher vacancy rates, although these are usually less than for similar jobs in the wider economy.

The table shows some occupations where councils experience recruitment problems.

Occupation	Number of responding councils reporting problems	% of employing councils reporting problems
Social Worker	71	83
Planning Officers	79	47
Occupational therapists	39	45
Environmental Health Officers	63	41
Social Care Managers	33	38
Home Care Staff	31	36
Trading Standards Officers	31	36
Educational Psychologists	29	34
Building Control Officers	49	32
Accountants	52	31
Soulbury staff/advisors	26	30

Source: EO: Local Government Recruitment and Retention Survey 2003 (base 170 councils in England and Wales)

Local government has most difficulty in recruiting to social services and to occupations where it (or the public sector generally) is the predominant employer. The main problem is a national shortage of suitable applicants, arising from:

- A failure to train enough people in recent years
- A lack of workforce and succession planning
- Wider demographic changes, such as the decreasing number of young people entering the labour force and the ageing population
- Poor image of the sector or the occupation as an employment choice
- Competition from the private sector

As a result, some councils or contracted suppliers of services to councils should face difficulties in recruiting the additional numbers of school support, childcare and social care staff envisaged in the PSA targets, especially where local labour markets are operating at or near to capacity. Solving this will mean attracting currently inactive people into the labour market, attracting people currently working in other sectors or attracting staff from other local government occupations. As the Efficiency Review suggests, staff whose jobs are lost through e government or organisational changes could be attracted to and retrained for some of the 'frontline' shortage areas. However, doing this nationally or regionally will require more co-ordinated and strategic planning than has been usual in the sector to date.

Local authorities have in the past experienced recruitment difficulty with some professional areas such as accountancy, IT and the law, where competition is with the private sector.

However, these problems have eased over the last year and a survey in 2002 of London authorities found that they had few problems in recruiting to IT, surveying, personnel, benefits and finance posts. While there were still some problems in filling accountancy and legal posts, these too were becoming less difficult. These kinds of shortages are cyclical, reflecting conditions in the wider employment market and local authorities need better workforce planning and to use flexible retention packages to avoid being at the mercy of the economic cycle.

The housing market has also been a powerful influence on recruitment. Problems have been greatest in London and the South East, where rapidly rising house prices have compounded problems of overheated local labour markets. For example, London and the South East have vacancy rates for home care organisers as high as 35% and for childcare teams as high as 50%. There is a shortage of affordable housing in these areas and the Starter Homes Initiative for key workers has experienced a high take up. During 2003, house prices rose more swiftly in the Midlands and the North than in London, but the ongoing difference in house prices between the London and the South East and the rest of the UK has reduced occupational mobility between these regions.

Workforce planning to reduce future recruitment problems requires authorities to know what their future needs are and where the shortages are likely to be. This requires better workforce data and strategic planning than at present. A number of

future potential problem areas can be identified from government PSA targets and service priorities:

- a) **Children's Workforce:** Government plans for a new children's workforce include the need to recruit, retain and develop an estimated 178,500 childcare workers by 2006. Open access, multi agency connexions specific training is now available for a range of practitioners, including voluntary sector organisations. From April 2005, central funding for connexions training will be devolved and partnerships will have greater responsibility and autonomy for the continuing professional development of their staff.
- b) **Schools and Education:** Government plans to improve primary education and transform secondary education include maintaining the current number of teachers (now the highest since 1982 and 13,700 more than in 2001) and increasing the number of school support staff. There are already over 225,000 full-time equivalent support staff in schools (including over 122,000 teaching assistants). The Government is making available funding which will help schools to implement the proposals in the National Agreement on raising standards and tackling workload, and support the growth of both teacher and support staff numbers. We estimate that during this Parliament schools will have been able to afford at least 50,000 full-time equivalent extra support staff of all types. But this could be higher depending on how schools use their new and existing resources.
- c) **Social Care Workers:** Government plans include encouraging 50,000 new entrants into the social care workforce. In addition, there are targets to bring 50% of social care staff up to a minimum NVQ level 2 and to reduce vacancy rates by 50%.
- d) **Transport:** Local Authorities needs to recruit more transport planners and traffic engineers and find ways to address competition from the private sector. In 2003, 53 of the 85 authorities delivering Local Transport Plans highlighted shortage of technical skills as a barrier to delivery. Authorities also have a growing need for non-technical skills in areas such as public consultation, partnership working and project management. To help address these problems, the Transport Planning Society is taking forward a number of activities under the recent Transport Planning Skills Initiative. These include providing careers guidance for new entrants to the profession, a work experience programme, co-ordinating and simplifying qualifications and managing a training website. This work is designed to address the general shortage of transport planning skills and is not restricted to local authorities. Several other professional institutes involved in transport have programmes to support career development and training.
- e) **Housing Benefit Administration and Reducing Benefit Fraud:** Last year DWP announced a wide-ranging Housing Benefit Reform Programme designed to improve administration, promote choice and responsibility among tenants, enhance work incentives and reduce levels of fraud and error. DWP has encouraged authorities to re-invest the savings from simplifying the administration of benefits into tackling fraud and reducing errors. DWP has also supported some local authorities to implement the new Local Housing Allowance on a pilot basis and has provided extra

funding to cover changes such as the introduction of Tax and Pension credits. DWP is also encouraging authorities to be more innovative through partnership and collaborative working, peer group support and new ways of working and this will be taken forward through the Efficiency Review work stream on transactional services.

- f) **Planning:** The government's targets for local planning authorities will require a new recruitment and training drive to increase the number and skills of planning officers. ODPM is supporting local authorities to recruit and train more planners through the Planning Delivery Grant. Central and local government are also working together on a major project to e-enable the planning process to put more activity on-line and deliver through intermediaries.
- g) **Housing and Regeneration:** Achieving neighbourhood renewal, sustainable communities, the provision of more key worker housing and social inclusion will all require significant increases in the numbers and skills of people working in and with local government. The transfer of responsibility to local authorities for planning, managing and funding housing related support would bring similar recruitment and training requirements.
- h) **Environmental Health Officers and Trading Standards Officers:** Uptake of places on qualification courses is low, so courses are closing while shortages exist and, with an ageing workforce, will get worse if action is not taken.

Retention: Some of the pressures can be reduced if authorities can retain more of the skilled and experienced staff they already have. Audit Commission research suggests that the reasons why employees leave local government service are complex. The list below ranks the key factors in order of importance:

- Bureaucracy and paperwork
- Lack of resources
- Workload/hours
- Not valued by Government
- Pace change
- Not valued by managers
- Not valued by public
- Pay
- Career progression
- Line Manager
- Autonomy

Source: Audit Commission, Recruitment and Retention - A public service workforce for the twenty-first century - September 2002

The most marked retention difficulties are among social workers and planners. In England, turnover rates were 13.3% for field social workers (children), 18% for occupational therapists and 16.1% for home care employees. Rates were higher in certain regions, including London, making recruitment in these areas a constant challenge for the authorities concerned.

Priority 5 - Pay and Rewards

This second version of the Pay and Workforce Strategy has been updated to take account of the information emerging about Spending Review 2004 and the report of the Local Government Pay Commission, released in October 2003.

The Commission found that, in general, local government does not face a general problem of low pay leading to recruitment and retention difficulties. Against this background, however, the Commission did recommend faster progress on dealing with equal pay issues and greater investment in staff training and development.

As a statement of principle, the Local Government Employers aim to provide pay that is sufficient to recruit, retain and motivate staff within a system that is fair and affordable.

Some of the key points and recommendations from the Local Government Pay Commission Report on pay related issues are:

- While local government has some local and service specific 'recruitment hotspots' at the lower end of the pay spine, these are not pervasive enough to justify general up-rating of the minimum rate of pay.
- Every Council should undertake an equal pay audit and pay and grading review and develop an action plan with implementation timetable and plan as part of a longer term strategy to tackle gender pay gap and occupational segregation.
- Support for a move away from long service based incremental pay scales.
- Suggest consideration of a combination of a limited number of service based increments followed by some form of contribution based pay progression.
- Recommends National Joint Council (NJC) parties to negotiate with a view to changing Part 3 of the agreement relating to premium payments to facilitate consideration of various ways of compensating particular working hours and patterns. There should be movement towards agreed national *principles* on remunerating certain working arrangements to be implemented locally, rather than national specification of rates.

The Role of ODPM and Central Government

Negotiation on local government pay and conditions is a matter for local authorities and their employees. The ODPM draws a strict line between general discussions on pay in the context of this strategy and the pay negotiations themselves. It is an important part of local government independence that ODPM does not get involved in pay negotiations. Pay increases need to reflect the financial circumstances and constraints within which local government operates, including the need for low single figure rises in council tax, achieving efficiency savings and giving priority to frontline service delivery. In the 2004 Spending Review, agreed plans for 2005/06 will not be reopened and new plans will be set for 2006/07 and 2007/08. The chancellor has made clear that, while spending to improve public services remains a government priority, growth in spending will be lower than in previous years.

Local government will therefore be working within a tighter fiscal environment than previously.

The Treasury evidence to the pay review bodies sets an agenda for the future of local government pay determination in which a balance must be struck between the national framework and local flexibility. The key points are summarised below:

- a) The priorities are to improve the standards of public services and to develop a more flexible economy. Pay systems in the public sector need to be locally responsive and to increase the sector's flexibility and responsiveness, so that the public sector contributes to the increased overall flexibility of the economy as a whole.
- b) The 2002 Spending Review set the resource envelope for the public sector and provided adequate resources to allow the targets for improved services to be achieved.
- c) Pay and pay systems must encourage and reward high quality service delivery but paybills should not be set at levels higher than necessary, as this would divert resources away from the higher quality services that the Government wants to see.

The crucial planning and budgetary issue for authorities is to ensure that they adopt the pay and rewards policies required to enable them to recruit, retain, motivate and train the staff they require within an affordable cost envelope.

Chief Executive's and Chief Officers' Pay

The level of Chief Executive Pay has recently received political and press attention in the context of some big awards and high rises in Council Tax. The government believes that the pay of senior officers in local government should be linked to performance, as already happens in the Senior Civil Service. In a recent survey by the Society of Local Authority Chief Executives (SOLACE), just under a third of local authority Chief Executives who responded had their pay linked to performance. More commonly, progression up a pay scale depended on length of service.

The Government believes that there needs to be a clear and public link between the pay offered in order to recruit the correct calibre of senior staff and the performance expected of them. While occasionally paying a high salary may be required in order to fill particularly challenging posts, the Government believes that local authorities need to avoid the justifiable exception becoming the unjustifiable norm. Authorities should not offer progressively higher remuneration packages in an effort to "outbid" other authorities when filling senior posts. They should also guard against very high pay for Chief Executives drawing upwards the remuneration of other senior officers and indeed more junior staff. The Employers Organisation is preparing advice on this issue, to include setting up remuneration committees to make recommendations on top salaries in local government, including taking performance into account.

National and Local Pay Bargaining

Local authorities have in the main chosen to negotiate certain aspects of pay nationally. The Pay Commission indicated that the stability of this national framework is helpful to individual local authorities. The Single Status Agreement in 1997 sought to combine the strengths of a national framework with the flexibility of local control over grades for specific jobs. While grading structures have developed and new systems operate well, progress in negotiating further local variations has so far been slow and this should now be addressed in the context of ongoing negotiations over pay and rewards.

The table below shows regional variation of local authority pay compared with the wider economy. Regional variation in local authority pay mirrors that in the wider economy, with London way ahead, the east and south east above average and the rest of the country broadly similar. Evidence shows that local government has greater local pay variation than the rest of the public sector, implying that the system has considerable flexibility. A key point is that variations in pay rates within regions exceed that between regions, implying that local labour markets are more important than regional labour markets for local government.

Average Salaries, Whole Economy and Local Government Services Group 2000

Region	Whole Economy Average Salary	Local Authority Average Salary
East	£19,400	£16,200
East Midlands	£17,400	£15,500
London	£25,800	£19,600
North East	£16,900	£14,900
North West	£18,100	£15,000
South East	£20,700	£16,200
South West	£18,000	£15,700
Wales	£17,200	£14,600
West Midlands	£18,100	£15,900
Yorks + Humb	£17,300	£14,800

Modernised Pay Systems

The Pay Commission did not see particular merit in the use of broad-banded pay structures because they can be discriminatory and lack transparency. They suggested a move away from long service based incremental scales to shorter scales with target points to show employees where they are in relation to others. They also suggested a hybrid progression system combining some service-based increments with competency-based progression. Local authorities, regional employers and the EO need to work out some examples of what this might look like in particular circumstances.

Non-pay Elements of the Pay and Reward Package

Non pay elements of the employment package are important in recruitment and retention in local government. Employees and potential employees consider a range of factors when deciding on a career or planning a move. These include:

- Working environment
- Job satisfaction
- Convenient working hours
- Convenient location
- Promotion prospects
- Job security
- Organisational culture

In general local government staff receive better benefits than those employed in the wider economy and local government should actively market these advantages as part of its recruitment and retention activities. They include:

- **Pensions.** The local government pension is an attractive part of the rewards package and potentially helpful in addressing recruitment and retention problems. It remains a defined benefit (final salary) pension scheme while many private sector companies have closed such schemes to new entrants and moved to defined contribution schemes. It has also responded well to the challenge of Best Value and transfers of staff by readily admitting private sector contractors. According to a recent EO survey, 80% of current members believe that the Local Government Pension Scheme (LGPS) provides a reasonable benefits package for a reasonable level of contribution. 54% say they would not have joined the LGPS if it had operated on a defined contribution basis. It is relevant to note, however, that not all local government staff are in the scheme, with part-time workers particularly underrepresented.

The Pay Commission felt that the LGPS provides better value than typical private sector money purchase schemes. A review has concluded that the current benefit package requires adjustments to reflect the increasing diversity of working patterns, new forms of flexible contracts and more part-time employment. ODPM has recently announced a new Strategy for the LGPS designed to ensure that it continues to provide an attractive, reasonable and equitably funded pension package for all its members while at the same time having regard to on-going affordability and the recent Pensions White Paper (Cm5835). (Changes to the LGPS taking effect from 1st April 2005).

- **Length of Working Week.** According to the 2002 New Earnings Survey, the average basic working week for full time local government employees was 36.3 hours, compared with 37.8 hours for the economy as a whole.
- **Sick Pay.** The local government sick pay scheme is also highly valued by employees, offering six months full pay and six months half pay.
- **Flexible Working Arrangements.** There is a higher incidence of flexible and part-time working in local government than is the norm for the whole

economy. 23% of local government staff have flexitime arrangements, compared with 10% in the wider economy, while local government staff are less likely to work on Saturdays or Sundays than those in the wider economy.

Benefits: Conversely, local government employees rarely benefit from the provision of free or subsidised cars, healthcare or performance related pay, which are more normal in the private sector. There are also some differences in the basic entitlement to annual leave and the Pay Commission noted that standard leave provision, particularly for new starters, is an area requiring attention in future negotiations. At the very least, local government has an obligation to assess the suitability of more flexible benefit packages in the sector and the prospects for linking these to an exploration of total reward mechanisms as understood in the private sector.

Equality. The Pay Commission Report underlines local government's responsibility to identify and remove discriminatory pay outcomes particularly in gender terms. The work of the National Joint Council will result in advice on the conduct of equality impact assessments and equal pay audits. Local authorities should ensure that they can identify problems in other areas of discrimination such as race and disability. The need to ensure that pay systems are non-discriminatory reinforces the need to pay close attention to the relevant codes of practice.

4. UPDATING, REVISING AND MEASURING THE STRATEGY

Progress towards the achievement of the strategy will be measured through the Pay and Workforce Strategy - Action Plan.

The strategy is a living document that will be reviewed and, if necessary, updated on an annual basis. Similarly the action plan will be reviewed and updated as part of this process.

In addition, performance against relevant BVPI's and corporate indicators will also determine whether or not the Pay and Workforce Strategy is making an effective contribution and positive impact on Council performance and service delivery.