

REQUEST FOR SUPPLEMENTARY REVENUE ESTIMATE

VOLUNTARY REDUNDANCY COSTS

1. The Voluntary Redundancy (VR) scheme is continuing in 2011/2012 but the costs are now being met from existing service budgets, rather than from a corporate reserve. The estimated cost of VRs across all services in 2011/12 is £3.8m. These costs are reflected in services' forecast outturn positions.
2. However, the Council has approval to capitalise up to £3m of the statutory element of VR payments in 2011-12. If agreed, this would potentially spread the costs over a number of years, with a resultant reduction in the impact on revenue budgets. It is estimated that the qualifying statutory element of service VR costs above amounts to £2.4m.
3. In addition to the costs above, it is now proposed to take the opportunity to reduce the costs of the organisation and support 2012/13 policy proposals by bringing forward and approving additional VR expenditure in 2011/12 for ICT Shared Service and Adults Transport as set out below.
4. ICT Shared Service intend to reduce baseline costs going into 2012-13 in order to achieve a breakeven position and provide a more flexible and responsive service. The Target Operating Model (TOM) proposals would lead to a reduction of approximately 70 employees. During Phase 1, 35 employees registered an interest in accepting voluntary redundancy, with a financial consequence of £923k. Phase 2 of the VR process has now closed, and it is likely that further employees will be identified for either voluntary or compulsory redundancy. It is therefore estimated that total one-off VR costs will be in the region of £2m. This cost would be shared on a 50/50 basis between Cheshire East Council and Cheshire West and Chester Council in the financial year 2011/12.
5. In 2011/12, the Adults service had a policy savings option of £800k in relation to transport. Following a review of service users, the number of clients using the CEC transport fleet has reduced. Consequently, a decision has been made to release a number of drivers on voluntary redundancy during 2011/12 due to service over- capacity from reduced demand.
6. The total of these additional one-off costs, which are not reflected in service outturn positions, is estimated to be £1.1m. These costs would again be subject to the capitalisation of statutory elements, estimated at £0.5m. The total net cost of VRs (after capitalisation) relating to the above to be incurred in 2011/12 will therefore be £0.6m. It is therefore proposed that a Supplementary Revenue Estimate (SRE) for £0.6m be approved, to be funded in 2011/12 from general reserves.