

Internal Audit Review
Assurance on the savings achieved through redundancy

1. The Review

- 1.1 Following discussion at the Audit & Governance Committee on 25 January 2011, this report provides the Committee with the findings of the review undertaken by Internal Audit to assess the extent to which assurance can be provided that redundancies have delivered savings to the Authority.

2. Key Findings

- 2.1 It is clear that redundancies have secured savings through reduction of staffing costs.

This is demonstrated by the £26.1m difference in staffing costs identified through comparison of 2009-10 actual staffing costs and the budget for 2011-12.

- 2.2 The original discussion at the Audit & Governance Committee assumed that the only reason for redundancy was to reduce the budget. It is evident that in the first two years of Cheshire East, redundancies have been incurred for a more complex set of reasons, including:

- At LGR, there was not necessarily a correlation between costs of staff transferred and the budget available. Therefore redundancies reduced the cost burden in order to match budgets but did not always reduce the budget itself.
- Withdrawal of funding for posts or services that would have resulted in ongoing costs to the Authority that have an overall nil effect on budgets. The posts were redundant and to comply with employment law the action was appropriate.
- Entitlement to redundancy from the rationalisation and redesign of services e.g. when there was a significant change in role or location and there was no reasonable redeployment opportunity.

- 2.3 In most cases, redundancies are incurred as part of a wide ranging realignment of services and therefore a range of other factors may influence the achievement of savings, and the visibility of these savings in the bottom line budgets.

Such factors include: -

- Ongoing fulfilment of statutory duties.
- Responding to changes in the external environment (political, financial, demographic etc)

- Service delivery developments and improvements
- Restructuring and reallocation of services within departments

2.4 Reports to Cabinet on workforce planning and approval of redundancies have not given such detailed justification for the redundancy during the first two years showing only the post title, financial implications and a simple categorisation.

3. Conclusion

3.1 Assurance can be provided that staffing costs have significantly reduced.

However, given that redundancy savings are made in a service specific context and their actual realisation in budgets are subject to other influences, a snapshot exercise such as this cannot provide assurance that on an individual case by case basis, each redundancy directly correlates to a permanent decrease in the bottom line budget.

Assurance in this regard should be sought through ongoing monitoring of the Authority's financial position in the light of corporate decision-making and policy development.

3.2 A revised template for specifying the reason for redundancy should be implemented for future Cabinet reports in order to give more specific information to justify decisions. This has already been designed by HR and will be implemented as soon as possible.

4. Detailed Findings

Cheshire East Council

4.1 The figures below show changes in staffing costs for the authority as a whole. Subsequent tables and commentary provide further detail for each of these areas.

Service Area	2009-10 Spend	2010-11 Spend	2011-12 Budget	Overall Change
Adult's	£46.8m	£39.2m	£34.5m	-26%
Children's	£31.4m	£29.2m	£26.5m	-16%
Places	£33.7m	£32.2m	£30.5m	-9%
Performance and Capacity	£36.5m	£34.1m	£30.8m	-16%
Total Spend	£148.4m	£134.7m	£122.3m	-18%

Adults

- 4.2 The figures below illustrate that savings are being made on staffing costs.

Service Area	2009-10 Spend	2010-11 Spend	2011-12 Budget	Overall Change
Strategic Commissioning	£7.4m	£6.3m	£6.8m	-8%
Individual Commissioning	£10.1m	£9.5m	£8.8m	-13%
Care4CE	£29.3m	£23.4m	£18.9m	-35%
Total Spend	£46.8m	£39.2m	£34.5m	-26%

- 4.3 Following LGR, Adult's services has significantly reviewed it's workforce in the light of external policy drivers. In particular, the Council has restructured the workforce away from provision of services to the commission of services for adults meaning that staffing costs are reducing substantially, particularly in Care4CE. Further detail is provided below:

Strategic Commissioning

Rationalisation of management portfolios and reduction of intermediate tiers of management

Individual Commissioning and Local Delivery

Voluntary redundancies linked to bringing together former social work teams for Learning Disability, Physical Disability and Older People into four local teams and then introducing a risk based approach that reduced the need for social workers. This was also assisted by introduction of flexible and mobile working.

Care4CE

- Efficiencies achieved through amalgamating four services into one at LGR, and rationalising management and supervisory structures to address the inherited £2m overspend on vesting day.
- Integration/rationalisation of services enabling efficiencies through closure of buildings: Cypress House, Santune House, Jubilee House, Bexton Court (Temp), 291 Nantwich Road.
- Reductions due to loss of income (at LGR, and/or disaggregation of funding, withdrawal of health funding e.g. Carers Grant – Family Based Care, Heather Brae, S28a pooled budget), Care in Community monies – Community Support Centres, Heather Brae and Supporting People Funding for Assisting You and Harry Lawson Court from Care4CE.

- Decommission of services e.g. traditional home care to give customers choice and control through personal budgets to deliver government personalisation agenda, to comply with HMRC directive on status of Family Based Care being delivered in customers own homes.
- Further restructuring to align all services with costed models required to deliver core purpose of Care4CE i.e. the delivery of reablement, crisis response and complex care.

Children's

- 4.4 The figures below illustrate that savings are being made on staffing costs.

Service Area	2009-10 Spend	2010-11 Spend	2011-12 Budget	Overall Change
Safeguarding and Specialist Support	£16.9m	£18.6m	£10.9m	+4%
Early Intervention and Prevention			£6.9m	
Strategy, Planning and Performance	£14.5m	£10.6m	£8.7m	-40%
Total Spend	£31.4m	£29.2m	£26.5m	-16%

NB: The 2009-10 figures were based on the old structure of Children's Social Care, SureStart, Inclusion and Education and Schools, whereas 2010-11 is based on two services, Integrated Delivery and Improvement and Achievement, and moving into 2011-12 there are now three service areas.

- 4.5 Children's Services are working from a high cost-base that has arisen due to an increase in the number of children cared for by the Local Authority since it was created in 2009, and the reliance on historic procurement of expensive out of area placements. The service is aiming to reduce costs through redesign of children's care services which involves improvements in the commissioning of residential care provision and intervening in the lives of children at an earlier stage to prevent the recourse to costly statutory provision at a later point.

In some cases within the department, external funding has been withdrawn and redundancies have been necessary to avoid incurring ongoing costs. In such examples, staffing costs may appear to show a saving, but some of the linked income has also been lost, and therefore there is no net change. An example of this is the schools improvement programme, with more resources being delegated to schools and schools taking responsibility for service provision formerly provided by the Council.

The Service has been restructured twice since LGR. Therefore comparisons of financial data are also very difficult. Some services

move between areas across the years, and some expenditure has historically been funded through grants (e.g. SureStart, DSG, Standards Fund) which further complicates comparison.

Places

- 4.6 The figures below illustrate that savings are being made on staffing costs.

Service Area	2009-10 Spend	2010-11 Spend	2011-12 Budget	Overall Change
Environmental Services	£18.0m	£16.6m	£15.3m	-15%
Safer & Stronger Communities	£4.6m	£4.3m	£4.6m	0%
Planning & Housing	£5.9m	£6.3m	£5.9m	0%
Regeneration*	£5.3m	£5.0m	£4.8m	-10%
Total Spend	£33.7m	£32.2m	£30.5m	-9%

* excluding Integrated Transport Unit

- 4.7 Across the Places Directorate, redundancies have been made in order to manage within budgets and to deliver savings targets since LGR.

In Environmental Services, redundancies sampled within the Highways Service provide assurance that savings in staffing costs have been delivered and have contributed to achievement of budget policy savings, despite challenging service demand pressures. The audit sample also noted the changing nature of the Service, including closure of the Geotech Lab shared service and related redundancy and re-deployment of staff.

Redundancies within Safer & Stronger Communities have supported effective management within budgets and achievement of policy changes. The same may be said in respect of the Planning & Housing Service (where the increase of £0.4m in 2010/11 relates principally to bringing in-house the Homelessness functions previously carried out by Cheshire Peaks & Plains and Wulvern Housing).

Similarly, redundancies made within Regeneration have contributed to the achievement of budget policy savings. A post sampled in the audit had been made redundant at the end of an externally funded economic development project.

Performance and Capacity

- 4.8 The figures below illustrate that savings are being made on staffing costs.

Annex A

Service Area	2009-10 Spend	2010-11 Spend	2011-12 Budget	Overall Change
Borough Solicitor	£3.7m	£4.0m	£3.5m	-5%
Borough Treasurer & Head of Assets	£21.8m	£19.8m	£17.4m	-20%
HR & Organisational Development	£3.8m	£4.0m	£4.0m	+5%
Policy & Performance	£7.3m	£5.9m	£5.5m	-25%
Transformation	£0.0m	£0.4m	£0.4m	New service
Total Spend	£36.5m	£34.1m	£30.8m	-16%

4.9 A sample of redundancies from corporate support services identified a variety of circumstances in which redundancies were made and the varying effects that the redundancies may have had on achieving savings.

- The International Unit has now ceased with the closure of the Brussels office. This was a Cheshire East hosted shared service and the Shared Services Joint Committee decided that the responsibilities would pass to the newly formed prosperity commission, which itself has replaced the existing Cheshire and Warrington Economic Alliance. It is anticipated that this option will deliver savings.
- There have been savings from redundancies within Human Resources; however, due to a number of approved policy options that have impacted the staffing area e.g. transfer of Unison budget, the net effect over the period has been a small increase.
- The Corporate Improvement Team incurred two redundancies and there has been a subsequent reduction in staffing budget. However, due to service developments the overall budget has increased and is now more than the total service costs in 2010-11.
- In Policy and Performance, those redundancies sampled were part of a larger scheme of savings including non-filling of vacancies. This has resulted in significant savings in staffing costs of 25%.