The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.
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Research aims and objectives

1 The principal research question in this study is:

Can councils reduce their expenditure on workforce costs and meet local needs and priorities?

2 The study followed two associated areas of enquiry:
   a. The savings councils make by reconfiguring their staffing resources without embarking on any radical restructuring or organisational re-design.
   b. The savings from transformational and more radical restructuring

3 The study team collected primary quantitative and qualitative data directly from councils, and conducted secondary analysis of quantitative data.

Quantitative data

4 The study used findings from the Council Budgets, Spending and Savings Survey 2011 published by the Local Government Association (LGA). The LGA sent an electronic self-completion questionnaire to Directors of Finance (or their equivalent) of their 349 English council members. The survey achieved a response rate of 38 per cent. Data are un-weighted, as there was no systematic bias in the profile of respondents. But because the response rate was low, the LGA suggest the findings should be treated as indicative, rather than precise estimates, of local authorities as a whole.

5 The study used findings from the Commission’s survey of auditors on council resilience, which collected information on the financial stability of councils, to support auditors in making their value for money conclusions. The Commission distributed this questionnaire to auditors between March and May 2011.

6 The study team used the output from other organisations’ quantitative data collection and reports, and conducted secondary analysis of these data, where appropriate. The main sources of quantitative data for this report are: the LGA’s Earnings Survey; the Quarterly Public Sector Employment Survey published by the Office for National Statistics (ONS); Revenue Outturn Returns and Subjective Analysis Returns both published by the Department of Communities and Local Government (DCLG); and HM Treasury’s Whole of Government Accounts.

7 The study collated and analysed financial information from councils’ accounts published over 10 years.

8 The study also used quantitative data from fieldwork councils to illustrate savings from various measures to reduce workforce costs.
Quantitative analysis

9 No one source of data provides a complete picture about the local government workforce in England. Datasets produce different figures for a range of reasons. Each uses different data collection methods; involves different populations, has different reference dates, or has different purposes that require different interpretations of the accompanying guidance.

10 Unless stated otherwise, analysis of financial trends are deflated from the most recent year using the HM Treasury GDP deflator.

11 On occasion, the study team adapted datasets, combined two or more datasets, or imputed some figures, to identify a population of interest, or trends. These are described in more detail below.

12 Paragraph 10: QPSES data include teachers, who are out of scope for this study. To derive a figure that accurately excludes them, DfE data on numbers of teachers were used to impute the proportion of QPSES data that should be excluded. This approach is followed wherever QPSES data are used.

13 Figure 1: the data are drawn from the latest ONS Public sector Employment Statistical Bulletin. The ONS classification of local government was used to plot the change in local government employment (which uses a broader definition than just local councils). Data sources for other public sector areas vary: Education (Standard Industrial Classification division from QPSES), NHS (NHS workforce from the Information Centre) and Police (Home Office Police Statistics).

14 Figure 10. The total in-scope pay bill figure of £29.2 billion is calculated from the Local Government Earnings Survey and the Chief Officers Survey. The pay bill for staff earning over £50,000 is calculated using accounts data. It assumes an even distribution of staff across each £10,000 pay band using the mid-point of each band to gross up to the £2.07 billion figure.

Qualitative data

15 The study team visited 15 councils to collect primary qualitative and quantitative data. The fieldwork explored different approaches to managing workforce costs and reconfigurations, including delayering, changes in the mix of full- and part-time posts, reduced hours, reskilling and redeployment, use of contractors and agency workers, and partnerships.

16 The study team conducted interviews with members and officers using a semi-structured interview schedule. They sought interviews with the Leader or Deputy Leader, Chief Executive, Director or Human Relations or Organisational Development, Director of Finance, or their nominated substitute. These staff did not participate in all councils. On occasion, group discussions with other colleagues and senior managers took place. Most interviews were taped, but not transcribed.
In each fieldwork visit, the team sought to understand:

a. The particular circumstances that each council operates within, including local labour market characteristics, corporate and service performance and financial history, and political and managerial characteristics;

b. How these circumstances shaped the decisions that each council has taken to meet the challenge presented by the spending review;

c. The options that the council explored and rejected, and the reasons why;

d. The reasons for choosing the options they have implemented and how agreement was reached;

e. The challenges and benefits that the council has experienced from its chosen options;

f. The progress since implementing the options, including how challenges have been or are being overcome;

g. The anticipated costs and benefits over the next 12-18 months.

The key documents analysed (where available) for each fieldwork council were the:

a. Corporate plan

b. Sustainable Community Strategy

c. Workforce Strategy

d. People/HR Strategy

e. Organisational Design Plan

f. Medium-term Financial Plan/Budget Book

g. Workforce Development Plan

h. Recruitment and Retention Strategy

Additional information from the Commission’s audit output also contributed: Audit Management Letters; Audit reports on workforce or HR issues; and the value for money profiles.

Qualitative data were analysed using Excel spreadsheets.