

Finance and Resources Committee

10.00am, Thursday 23 May 2019

Workforce Control Annual Report

Item number	7.3
Executive/routine	
Wards	
Council Commitments	

1. Recommendations

The Committee is recommended to:

- 1.1 To scrutinise the progress made to date and note the workforce trends over the period January to December 2018; and
- 1.2 To refer this report to Governance, Risk and Best Value Committee as part of its work programme.

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Executive Director of Resources

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Workforce Control Annual Report

2. Executive Summary

- 2.1 This report provides a summary of workforce metrics for the core and flexible workforce (agency and overtime), absence, and transformation/redeployment for the 2018 calendar year.
- 2.2 Core workforce FTE and basic salary costs were significantly more stable in 2018 when compared with the 2016 and 2017 reporting years. In the 12-month period the organisational workforce FTE decreased by 41 and the cost of basic salaries increased by £2.6m. The cost of new starts to the organisation was £3.5m less than the cost of organisational leavers.
- 2.3 Whilst post-transformation organisational reviews were ongoing throughout 2018 to implement changes to service operating models, improve service delivery, and achieve budget savings, the impact of these on the overall workforce and costs in 2018 was less pronounced.
- 2.4 The cost of the agency workforce increased by £3.7m, and the cost of overtime increased by £1.5m when compared with the previous reporting year. Flexible workforce costs should be considered in the context of an overall reduction in LGE workforce of 967 FTE since 2015 and total working days lost to absence in the period (the equivalent of 760 FTE).
- 2.5 Targeted approaches to manage absence across the organisation continued throughout 2018. A new absence policy was implemented at October 2018 and Directorates implemented regular Support and Challenge panels to drive effective and consistent absence management across the organisation.
- 2.6 The organisation's monthly absence rates were marginally lower in 2018 when compared with the 2017 trend. The total working days lost to absence reduced by around 1k days in 2018, and the 12-month rolling absence rate reduced from 5.41% at 2017 to 5.37% at 2018.

3. Background

- 3.1 Workforce costs form the largest single element of the Council's revenue budget. The application of robust and effective workforce controls is critical to achieving the savings set out in the Council's Business Plan and associated budget.
- 3.2 Since the last report update to committee, the Council has continued to maintain and develop a robust workforce dashboard and management information (MI) process to provide consistent, regular, and accurate workforce MI/data at the organisation and Directorate levels; to facilitate workforce controls, strategic workforce planning, and to measure performance.
- 3.3 A report on the development of a workforce control framework was first reported to the Finance and Resources Committee on 19 March 2015, with subsequent annual reporting provided on 14 January 2016, 23 February 2017, and 12 June 2018.
- The reporting period for this report is January 2018 to December 2018.

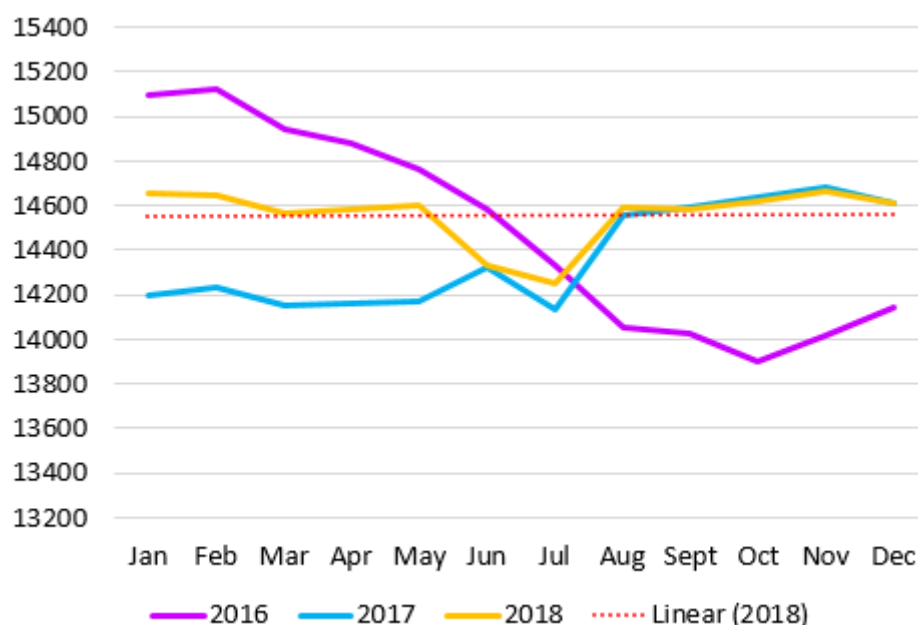
4. Main report

- 4.1 This report provides MI and analysis to show the current position and trends across five core areas of workforce controls. The reporting provides analysis at both the organisation and directorate level. The analysis provides insight into:
- Full Time Equivalent employee population (FTE) and trends;
 - Basic salary costs for the FTE employee population and trends;
 - FTE and basic salary costs of new starts and leavers;
 - Agency costs for primary, other, and off-contract suppliers and trends;
 - Overtime costs and trends;
 - Sickness absence rates, the reasons and costs of absence, and the impact of open ended long-term absence cases on organisation FTE.

Core Workforce

- 4.2 Following large scale workforce FTE reduction in 2016 and a subsequent workforce FTE increase throughout 2017 (predominantly linked to additional Pupil Equity Funding), the organisation's FTE was more stable in 2018, with an overall FTE reduction of 41 FTE between January 2018 and December 2018.
- 4.3 The normal seasonal variation in organisation FTE was observed (Figure 1), reflecting the reduced FTE requirement in the Schools and Lifelong Learning service over the summer recess (July/August) and new contractual arrangements in place at the start of the new school term (mid-August). This trend is not visible in the 2016 data due to employee reductions from transformation organisational reviews.
- 4.4 The reduction in organisational FTE is linked to the Local Government Employee population, where there was a reduction of 67 FTE. In the same period the Teaching population grew by 21 FTE. The balance of 5FTE is made of other employee groups e.g. Craft.

Figure 1: Workforce FTE 2016 - 2018



- 4.5 Directorate FTE trends for the 2018 period are contained in Appendix 1. The change in Directorate FTE between January and December 2018 is shown in Figure 2.
- 4.6 The Communities and Families and Place Directorates both experienced a net increase in workforce FTE over the year. Whilst some services in the Communities and Families Directorate experienced a reduction in FTE (Community Justice and Locality services reduced by 40 FTE), these reductions were offset by an increase of 88 FTE, in the Schools and Lifelong Learning service. The Place Development (up 36 FTE) and Place Management (up 30 FTE) services in the Place Directorate also experienced an increase in workforce FTE.
- 4.7 Reductions in FTE took place in the Chief Executive, Edinburgh Health and Social Care Partnership, and Resources Directorates. Notable reductions in FTE were observed in the Health and Social Care Localities service (down 120 FTE), the Executive Support service (down 30 FTE), and Human Resources (down 17 FTE).
- 4.8 FTE change by employee group is captured in Figure 3 which shows that the LGE population reduced by 67 FTE and the Teaching population increased by 21 FTE over the 12-month period. Appendix 3 details the change in Local Government Employee FTE and basic salary costs between January 2018 and December 2018, including 2015 and 2017 figures for comparison. Variation in FTE and costs took place during 2018 in Grades 3, 4 and 5 as a result of organisational review and there were further reductions in FTE at Grade 9 (reduction of 6 FTE) and Grade 10 (reduction of 9 FTE). The increased workforce at GR12 reflects the completion of recruitment to key roles which were vacant at the beginning of the year.
- 4.9 In 2018 our basic salary costs increased by £2.6m, from £402.5m to £405.1m (Figure 4). This compares with an increase of £18.8m in 2017, primarily associated with additional Pupil Equity Funding. A reduction in costs was observed over the

summer months and is linked to reduced FTE in the Schools and Lifelong Learning Service during the summer recess.

Figure 2: Directorate FTE - January 2018 and December 2018

Directorate	Jan 2018	Dec 2018	FTE Change
Chief Executive	158	147	-11
C&F	7508	7573	65
EH&SCP	2323	2233	-91
Place	2333	2392	60
Resources	2280	2228	-52
Surplus	50	38	-12
Council Total	14652	14611	-41

Figure 3: Workforce Groups FTE - January 2018 and December 2018

Category/ Group	Jan 2018	Dec 2018	FTE Change
Local Government Employee GR1-GR12 <i>including Craft</i>	10901	10834	-67
Chief Official	19	18	-1
Craft Apprentice	15	21	6
Teaching Total	3717	3738	21
Council Total	14652	14611	-41

4.10 Directorate basic salary cost trends for the 2018 period are contained in Appendix 2. Basic salary cost trends are generally in line with the FTE changes observed in Directorates over the same period.

4.11 Change in Directorate basic salary costs between January and December 2018 is shown in Figure 5. There were cost reductions in the Chief Executive, Edinburgh Health and Social Care and Resources Directorates, and the surplus workforce

(total reduction of £2.2m). The Communities and Families and Place Directorates both experienced an increase in basic salary costs in the same 12-month period (total increase of £4.8m). Basic salary cost variation is linked to increasing/decreasing Directorate FTE.

Figure 4: Workforce Basic Salary Cost 2016 – 2018

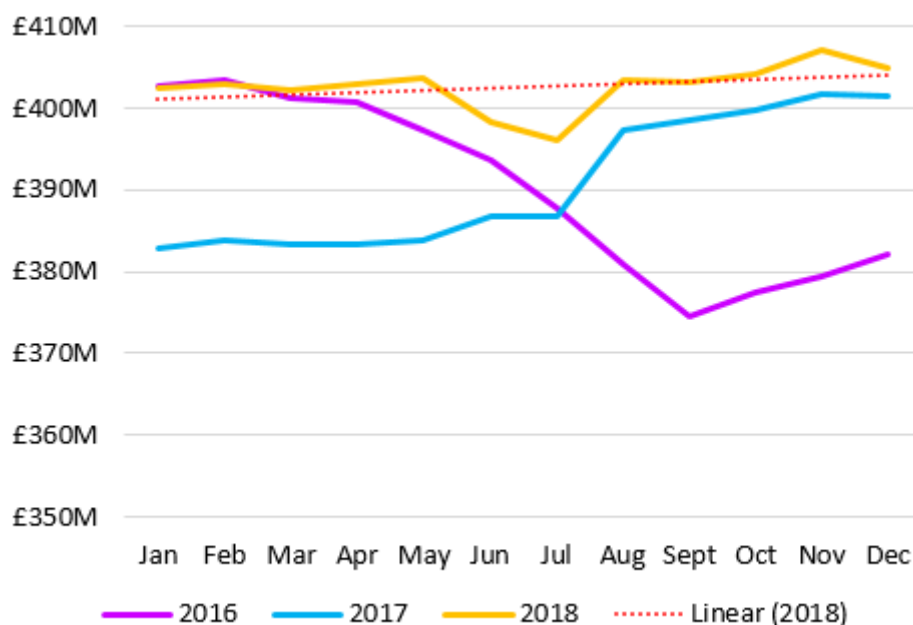
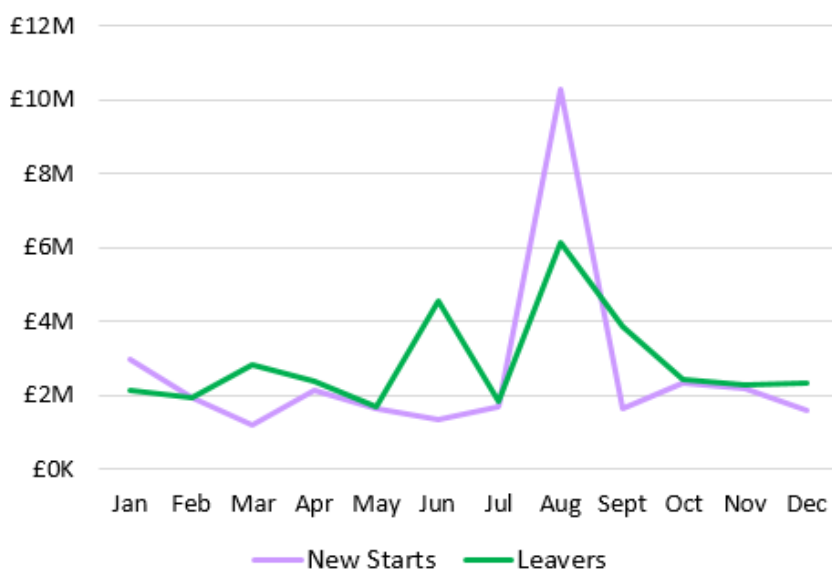
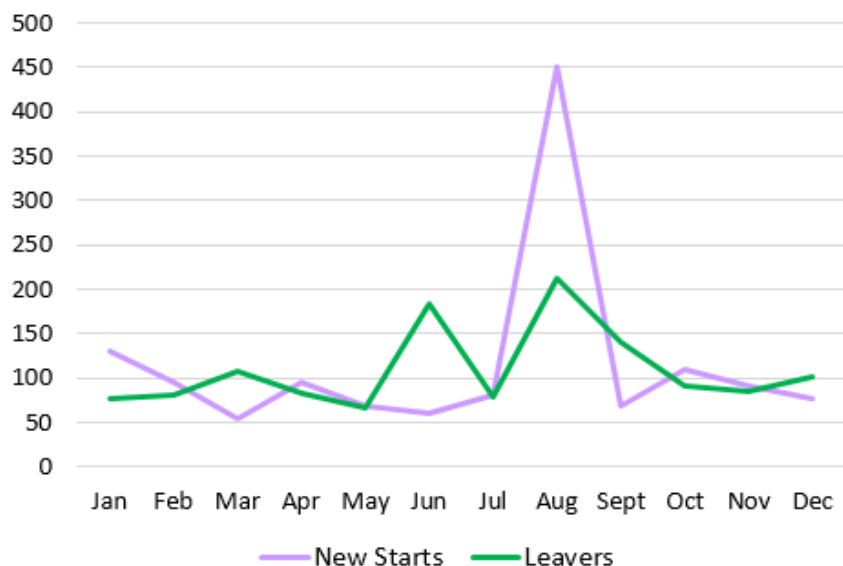


Figure 5: Directorate Basic Salary Costs - January 2018 and December 2018

Directorate	Jan 2018	Dec 2018	Cost Change
Chief Executive	£5.9M	£5.6M	- £268K
C&F	£230.4M	£233.1M	£2.77M
EH&SCP	£51.6M	£50.6M	- £961K
Place	£59.8M	£61.8M	£2.05M
Resources	£53.2M	£52.5M	- £661K
Surplus	£1.7M	£1.4M	- £358K
Council Total	£402.5M	£405.1M	£2.6M

4.12 The figures include the application of pay steps and contribution based pay at April 2018 at a cost of approx. £3.5m, but do not include the 2018/19 and 2019/20 annual pay awards applied retrospectively at April 2019.

Figure 6: Workforce New Starts and Leavers 2018



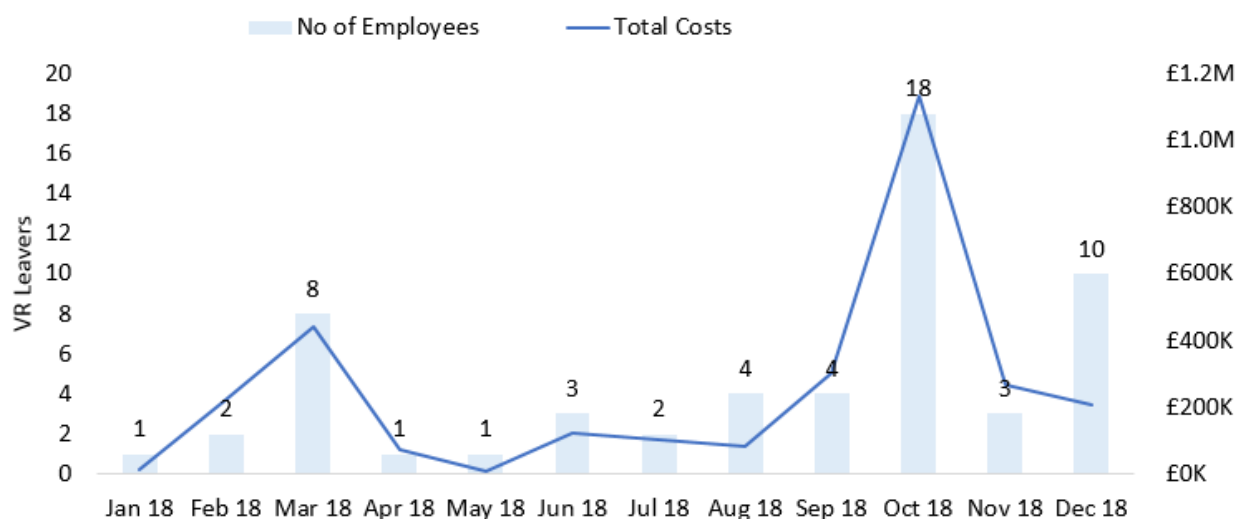
4.13 A breakdown of new starts and leavers (FTE and basic salary costs) in each month is shown in Figure 6. Over the year, there were 1318 new starts to the organisation and 1305 leavers, giving a net increase of 13 FTE from new starts. Whilst there was an increase in FTE from new starts to the organisation, the overall organisational FTE reduction is partly due to contractual changes in the existing workforce (e.g. fewer contracts or fewer contractual hours). Therefore, the £2.6m increase on pay bill for this period, is as a result of contribution-based pay increases and any other changes to terms (e.g. working hours) and roles (e.g. grade increase) of existing employees.

4.14 Over the 12 months the total cost of organisation new starts was £30.9m and leavers was £34.4m, giving a net saving of £3.5m in this area. This means that the

cost of new employees joining the organisation was lower than the cost of those employees that left in 2018.

- 4.15 In 2018, 57 employees left the Council (with total basic salary cost of £3.0m) as a result of VERA/VR arrangements linked to organisational reviews. This compares with 177 VERA/VR leavers (£6.1m) in 2017 and 700 (£28.3m) VERA/VR leavers in 2016. VERA/VR leavers in the 2018 period are included in the organisation leaver data referred to in this report (FTE and costs).
- 4.16 Figure 7 shows the total VERA/VR leavers over the year and the associated salary costs. There were peaks in VERA/VR leavers at October 2018 (review of Human Resources service) and December 2018 (review of Executive Support service).

Figure 7: Organisation VERA/VR Leavers and Basic Salary Cost 2018



Flexible Workforce (Agency and Overtime)

- 4.17 Our total agency spend for the year was £22.5m, with an average monthly cost of approx. £1.88m. This compares with a total spend of £18.8m in 2017. The figures do not include the application of the 18/19 pay award and therefore it can be inferred that the increased spend is linked to increased utilisation of agency workers. Agency cost trends are shown in Figure 8.
- 4.18 Note that month on month agency cost fluctuation can be linked to the nature of the billing process. Peaks in costs correlate broadly with the requirement for additional temporary workforce to support increased service demand at certain times of the year, e.g. during the festive period and summer Festivals.
- 4.19 The average agency monthly workforce in 2018 was the equivalent of 627 full-time employees. The primary and other contracted suppliers (£20m) accounted for 89% of all agency spend, with 11% (£2.5m) of the total spend attributable to off-contract suppliers.

4.20 The top 5 agency roles (by total spend) provided by the primary supplier (Pertemps) in 2018 are detailed in Figure 9. The top roles supplied by Pertemps relate to the delivery of the Waste and Cleansing service (Place Directorate) and the Customer service (Resources Directorate).

Figure 8: Agency Pay Bill 2016 – 2018

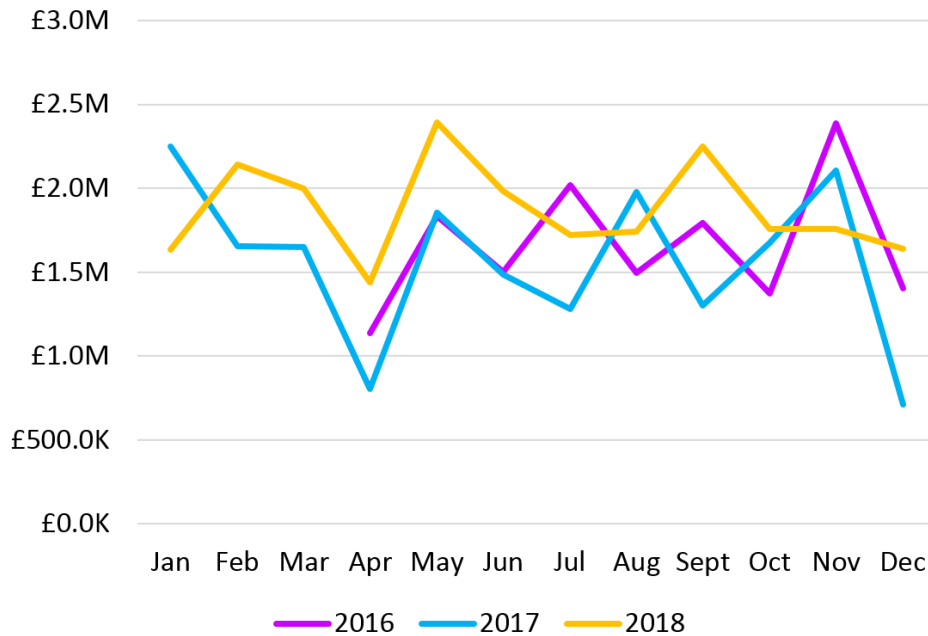
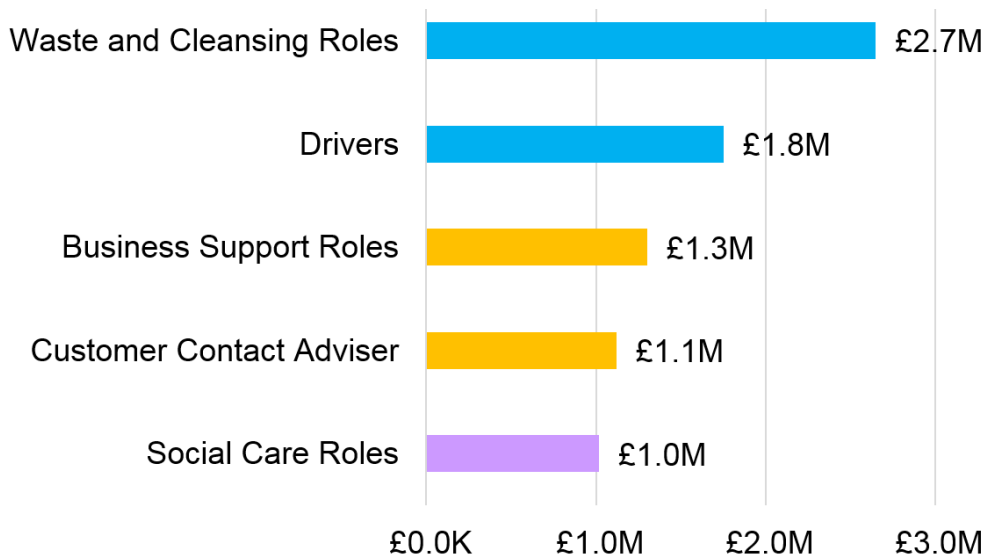


Figure 9: Top 5 Agency Roles 2018 (Primary Contractor)



4.21 The total cost of overtime between January and December 2018 was £9.1m, compared with a spend of £7.6m in 2017 (and 2016). The average overtime monthly workforce in 2018 was the equivalent of 274 full-time employees.

4.22 Overtime cost trends are detailed in Figure 10 which shows similar seasonal variation in 2016, 2017 and 2018, related to the need for additional temporary workforce to provide services at key times during the year. The 2018 month-on-month overtime spend is consistently higher than that observed in 2017 and 2016, reflecting an increasing reliance on the flexible workforce and overtime working. A breakdown of Directorate overtime costs in 2018 is contained in Figure 11 which demonstrates that around 48% of the total overtime spend was in the Place Directorate.

Figure 10: Overtime Pay Bill 2016 – 2018

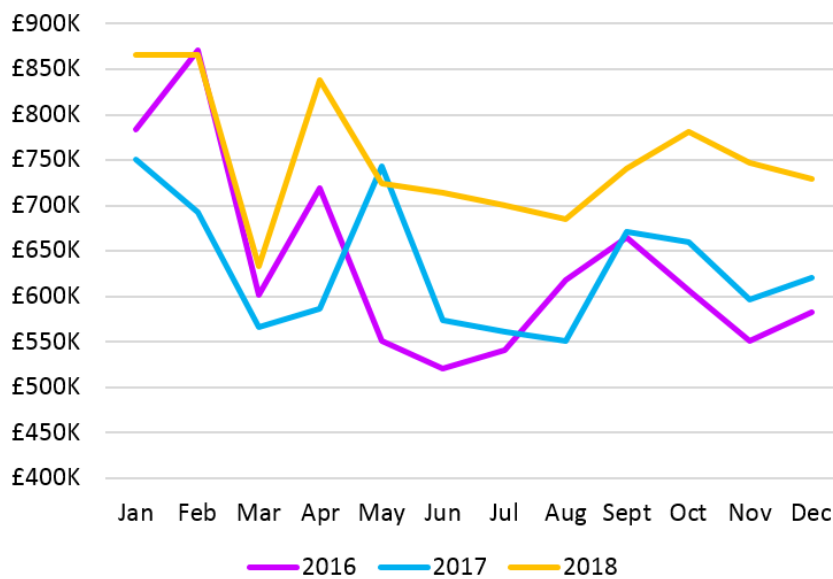
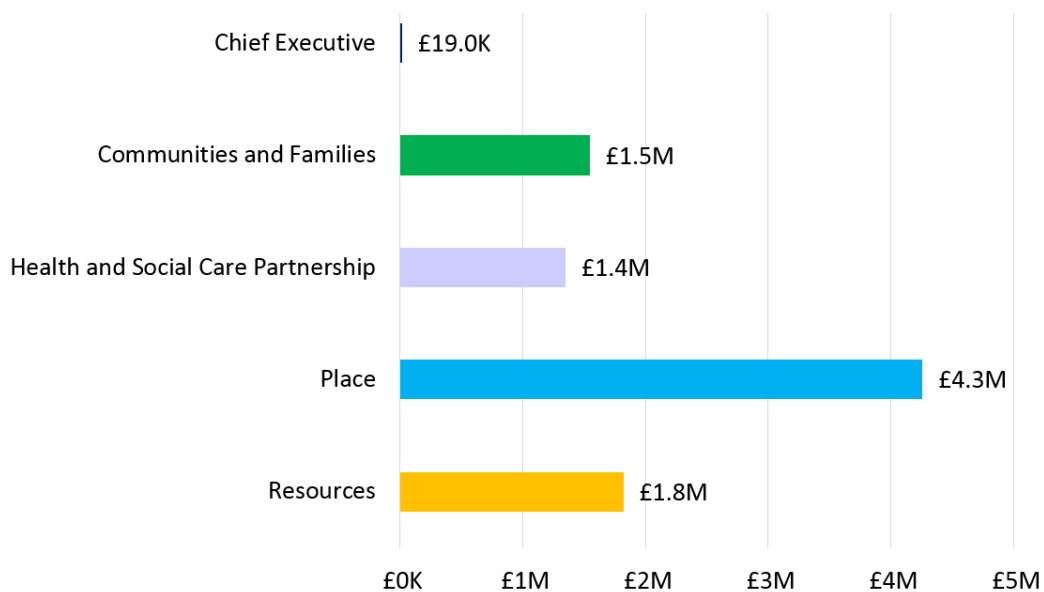


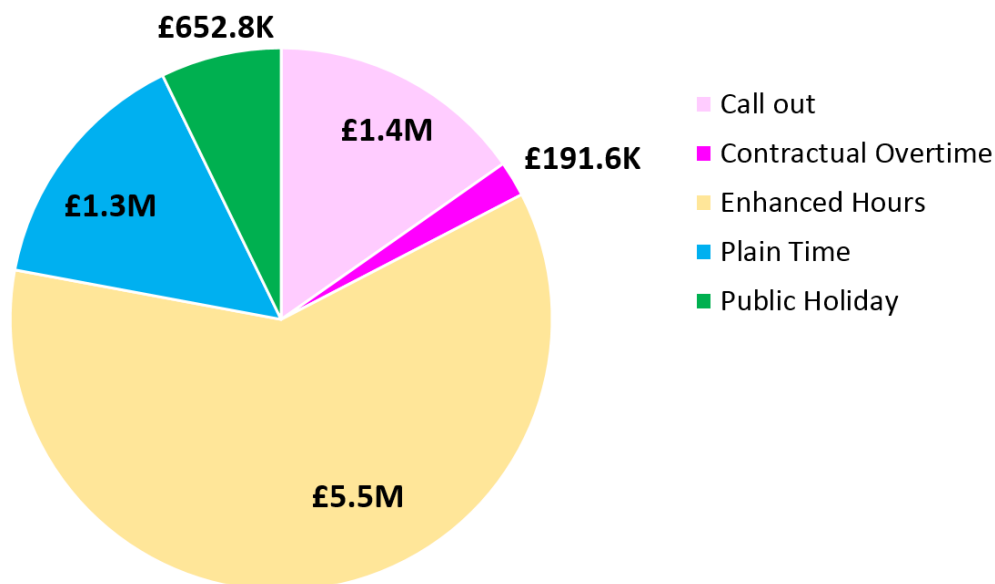
Figure 11: Directorate Overtime Costs 2018



4.23 A breakdown of overtime cost by overtime type for 2018 is detailed in Figure 12. This shows that 61% of the spend was linked to payment of overtime hours worked

at the enhanced rate, 15% related to hours worked at plain time, 15% related to “call-out” overtime hours, 7% of the total cost was linked to public holiday working, and 2% was attributable to contractual overtime.

Figure 12: Breakdown of Overtime Costs by Type 2018



4.24 Effective strategic workforce planning and review is ongoing to establish approaches that allow the organisation to deliver services using the core workforce/establishment, with a reduced dependency on overtime and agency working to achieve the delivery of key services.

12-Month Rolling Absence

4.25 Over the 12-month period the organisation lost a total of 171k working days to absence, the equivalent of 760 FTE, with a notional cost of approx. £22.8m. The rolling absence rate for the 12-month period was 5.37%. This compares with 172k working days lost to absence in 2017 and a rolling absence rate of 5.41% (Figure 13).

Figure 13: Council 12-Month Rolling Absence 2017 and 2018

2017		2018		Change in Rolling Absence Rate	Change in Total Working Days Lost
Rolling Absence Rate	Total Working Days Lost	Rolling Absence Rate	Total Working Days Lost		
5.41%	172.2K	5.37%	171.0K	-0.04%	- 1.19K

- 4.26 Directorate 12-month rolling absence rates and total working days lost to absence in 2017 and 2018 are shown in Figure 14. Reductions in the annual rolling absence rate were observed in the Chief Executive, Place, and Resources Directorates between 2017 and 2018.

Figure 14: Directorate 12-Month Rolling Absence 2017 and 2018

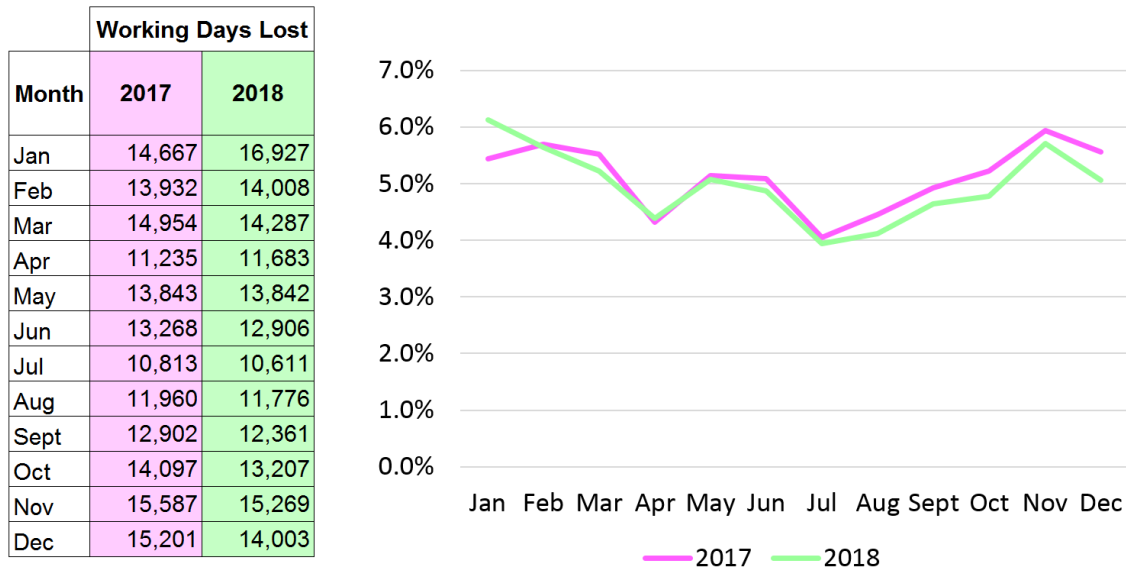
	2017		2018		Change in Rolling Absence Rate	Change in Total Working Days Lost
	Rolling Absence Rate	Total Working Days Lost	Rolling Absence Rate	Total Working Days Lost		
Chief Executive	2.29%	0.79K	1.84%	0.59K	-0.45%	- 0.20K
C&F	3.53%	53.1K	3.86%	63.7K	0.33%	10.61K
EH&SCP	8.84%	44.8K	8.91%	43.4K	0.07%	- 1.42K
Place	6.78%	34.5K	6.35%	33.1K	-0.43%	- 1.39K
Resources	6.09%	30.9K	6.07%	29.5K	-0.02%	- 1.42K

- 4.27 The 12-month rolling absence rate increased by 0.29% (from 3.57% to 3.86%) and the total working days lost to absence increased by 10.61K days in the Communities and Families Directorate, however it should be noted that this is linked to the transfer of the Safer and Stronger Communities service into the Directorate in 2018. At the time of transfer (June 2018) the Directorate rolling absence rate increased from 3.64% to 4.01%.
- 4.28 Despite a small reduction in the total working days lost to absence in the Edinburgh Health and Social Care Directorate, the rolling absence rate increased marginally (up 0.07%), and this is linked to changes in the Directorate FTE during the period.

Monthly Absence

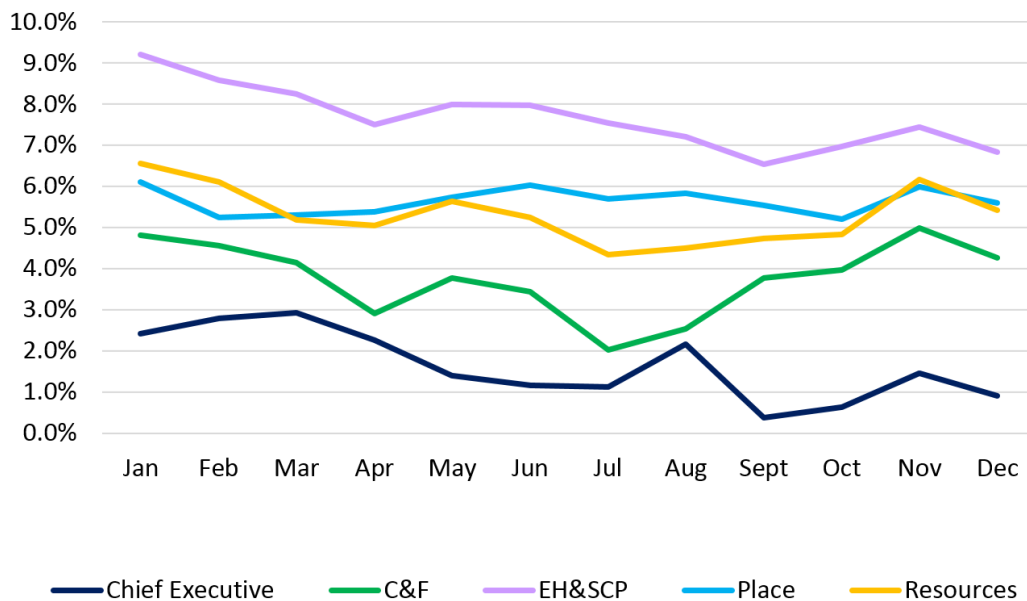
- 4.29 The organisation's monthly absence trend for 2018 is almost identical to that observed in 2017, although the month on month absence rate and total working days lost to absence has been marginally lower in 2018. The normal annual trend was experienced, with a reduction in the absence rate over the summer months (Figure 15).

Figure 15: Council Monthly Absence 2017 and 2018



4.30 Directorate monthly absence rates between January 2018 and December 2018 are detailed in Figure 16.

Figure 16: Directorate Monthly Absence January to December 2018



Absence Reasons

4.31 Around 67.5% of all working days lost to absence related to long-term absence and the remaining 32.5% were linked to short-term absence. The top 5 reasons for absence are shown in Figure 17.

4.32 The top 5 reasons for long term absence were stress, depression, and mental ill-health (35%), musculo-skeletal issues (15%), hospitalisation/convalescence (11%), back and neck problems (8%) and cancer/associated issues (6%).

- 4.33 The top 5 reasons for short-term absence were infections (26%), stomach/liver/digestion issues (16%), stress, depression, and mental ill-health (12%), musculo-skeletal issues (9%) and back and neck problems (6%).
- 4.34 Additional workforce costs for agency and overtime should be considered in the context of current absence levels and the level of permanent workforce FTE impacted by ongoing long-term absence. At December 2018 there were 471 employees (391 FTE) with ongoing long term absence, with 39 employees absent from work for 12 months or longer. A snapshot of Directorate FTE lost in December 2018 to ongoing long term absence cases is highlighted in Figure 18.

Figure 17: Top 5 Absence Reasons 2018 (Long-Term and Short-Term Absence)

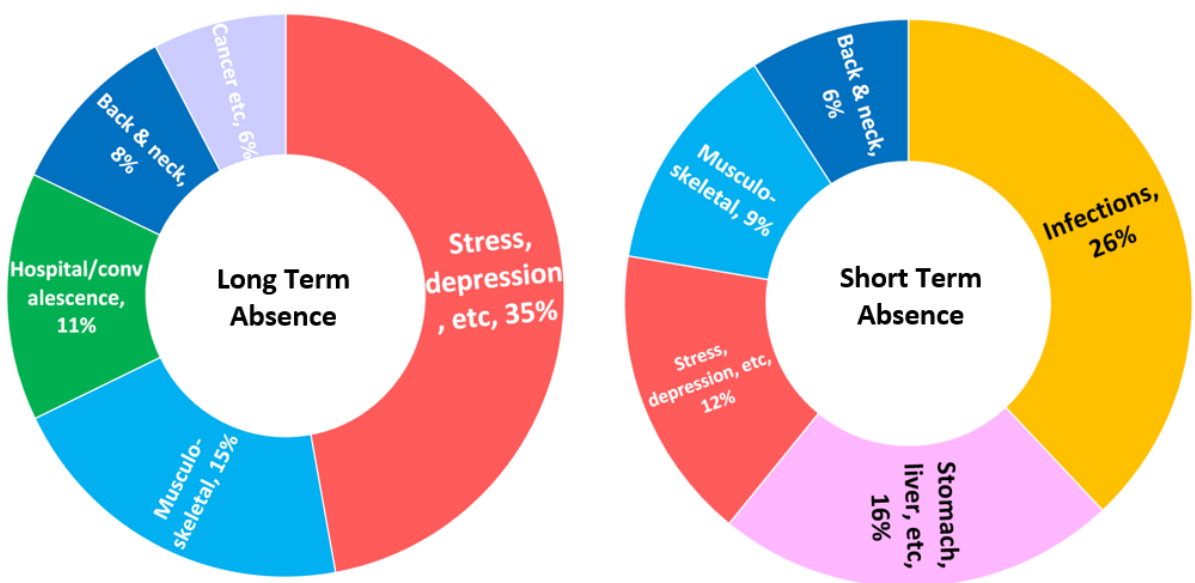
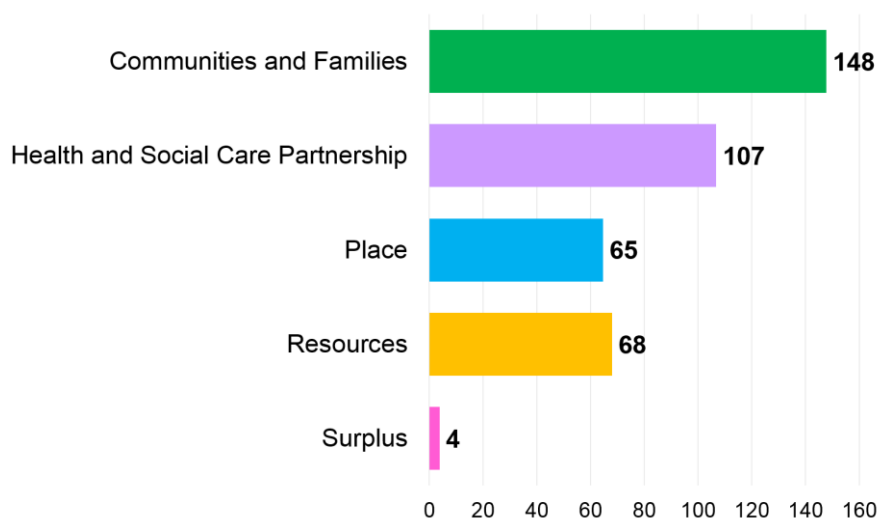


Figure 18: Directorate FTE Lost to Ongoing Long-Term Absence (December 2018)



5. Next Steps

- 5.1 To continue to monitor appropriate workforce data to evidence that the Council is on track to achieve targeted workforce controls and budget savings.
- 5.2 To scrutinise the progress made to date and note the workforce trends over the period January to December 2018; and
- 5.3 To refer this report to Governance, Risk and Best Value Committee as part of its work programme.

6. Financial impact

- 6.1 The achievement of agreed £38.7m savings through voluntary redundancy.
- 6.2 Salary costs for employees on redeployment (particularly those not redeployed).
- 6.3 Opportunity cost of lost working time due to sickness absence.
- 6.4 Agency, Overtime/Additional Hours expenditure.

7. Stakeholder/Community Impact

- 7.1 Stakeholder consultation and engagement, including senior management teams, Trade Unions and elected members, is ongoing.

8. Background reading/external references

- 8.1 Annual Workforce Controls Report report to Finance and Resources Committee on 12 June 2018.

9. Appendices

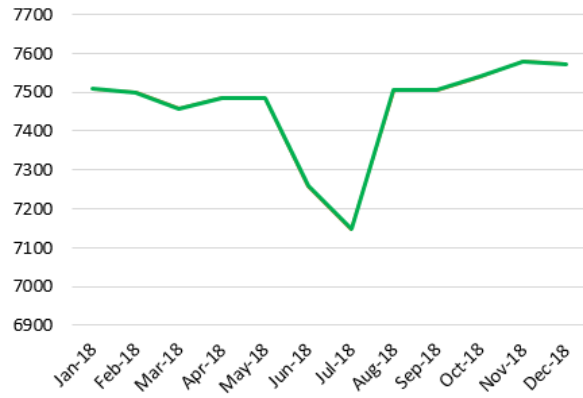
Appendix 1: Directorate FTE Trends 2018

Appendix 2: Directorate Salary Pay Bill Trends 2018

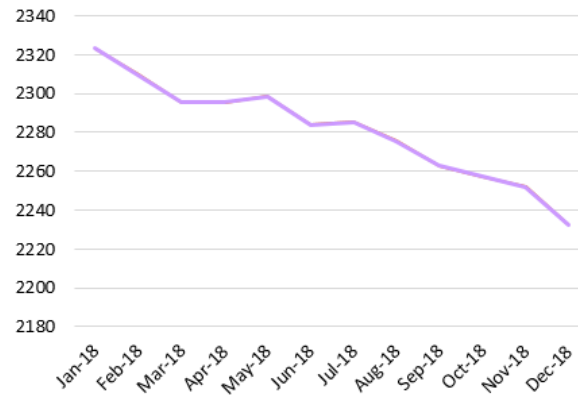
Appendix 3: Local Government Employee FTE and Basic Salary Costs, 2015 - 2018

Appendix 1: Directorate FTE Trends 2018

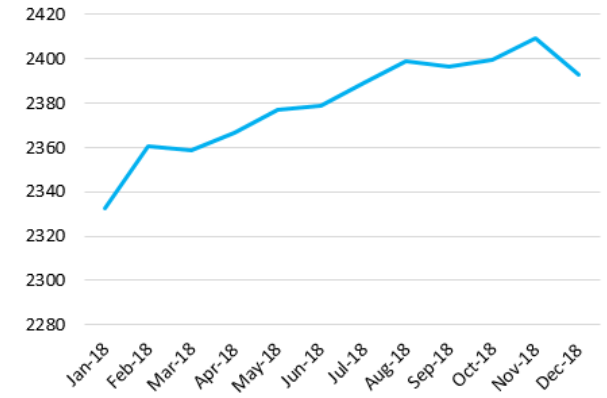
Communities and Families



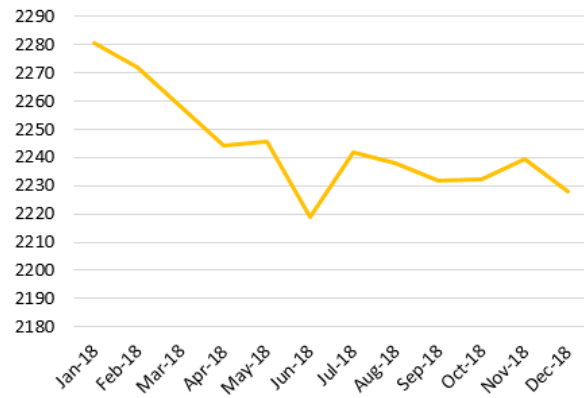
Health and Social Care Partnership



Place



Resources

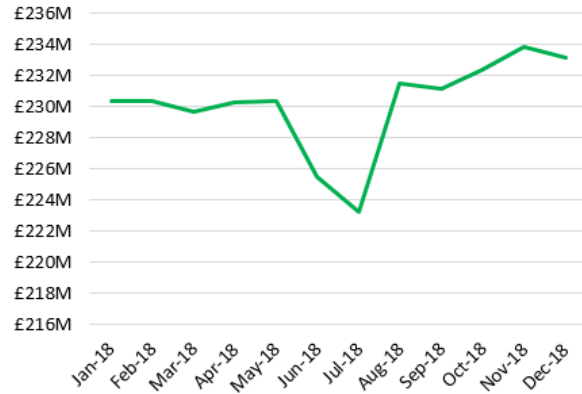


Chief Executive

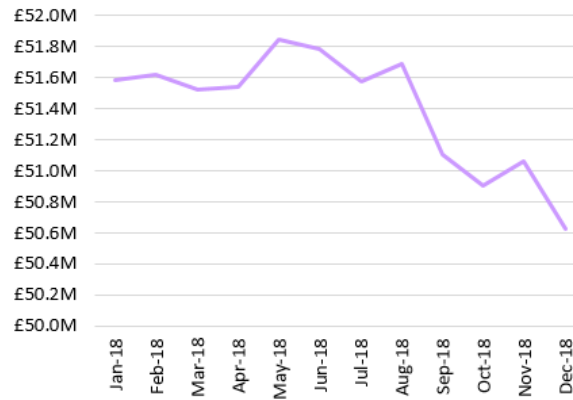


Appendix 2: Directorate Salary Pay Bill Trends 2018

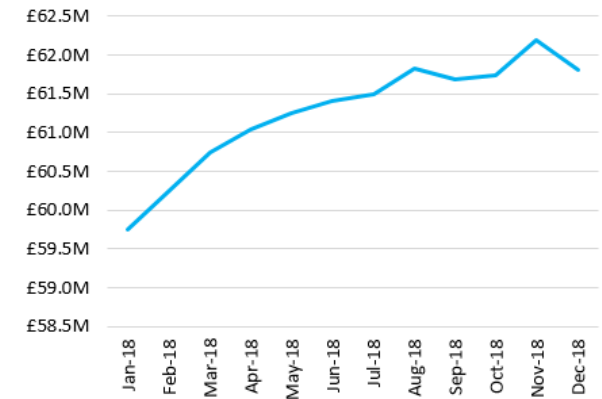
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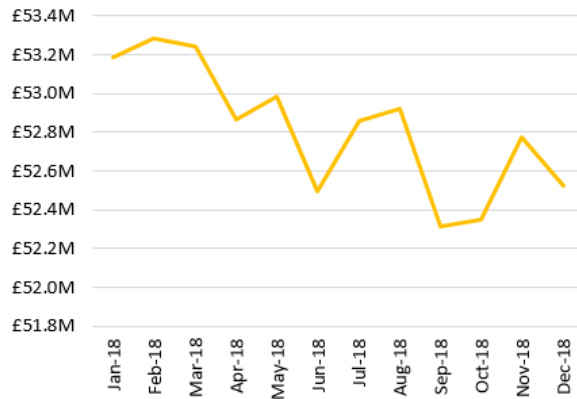
Health and Social Care Partnership



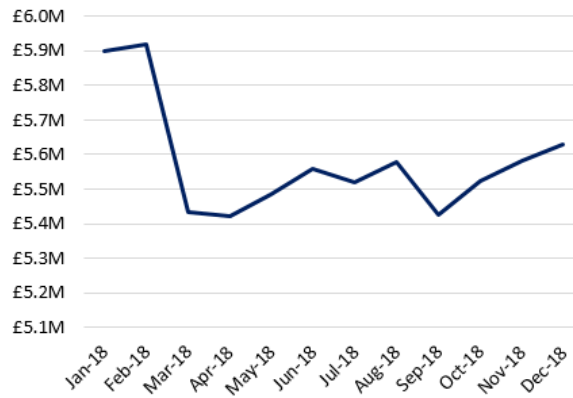
Place



Resources



Chief Executive



Appendix 3: Local Government Employee FTE and Basic Salary Costs, 2015 - 2018

Category/ Group	Grade	June 2015		June 2017		Jan 2018		Dec 2018		Jan 18 to Dec 18	
		FTE	Basic Salary Cost	FTE	Basic Salary Cost	FTE	Basic Pay	FTE	Basic Salary Cost	Change in LGE FTE	Change in LGE Basic Salary Cost
Front Line Staff	GR1	624	£8.1M	638	£8.4M	611	£8.3M	574	£7.8M	-37	-£0.5M
	GR2	244	£3.4M	198	£2.9M	182	£2.7M	171	£2.5M	-11	-£0.2M
	GR3	2374	£38.2M	2124	£34.9M	2166	£36.1M	2005	£33.2M	-162	-£2.8M
	GR4	2479	£45.8M	2567	£48.1M	2509	£47.6M	2580	£49.0M	72	£1.4M
Front Line Manager/ Specialist	GR5	1808	£40.6M	1563	£35.2M	1565	£35.4M	1596	£36.1M	31	£0.7M
	GR6	1421	£37.1M	1337	£35.9M	1402	£37.7M	1432	£38.6M	29	£0.9M
	GR7	1520	£48.0M	1296	£42.1M	1295	£42.2M	1309	£42.6M	15	£0.5M
	GR8	776	£29.2M	652	£25.1M	687	£26.5M	689	£26.5M	2	£0.1M
Managers	GR9	359	£15.9M	280	£12.9M	288	£13.3M	282	£13.0M	-6	-£0.2M
	GR10	118	£6.3M	123	£6.5M	127	£6.8M	118	£6.4M	-9	-£0.4M
	GR11	47	£3.0M	36	£2.3M	36	£2.3M	36	£2.4M	0	£0.0M
	GR12	31	£2.2M	33	£2.4M	35	£2.6M	42	£3.1M	7	£0.5M
Total		11801	£277.8M	10849	£256.8M	10901	£261.4M	10834	£261.2M	-67	-£0.2M

