

Scotland's public sector workforce

Impact report



Prepared for the Accounts Commission and Auditor General for Scotland
June 2015

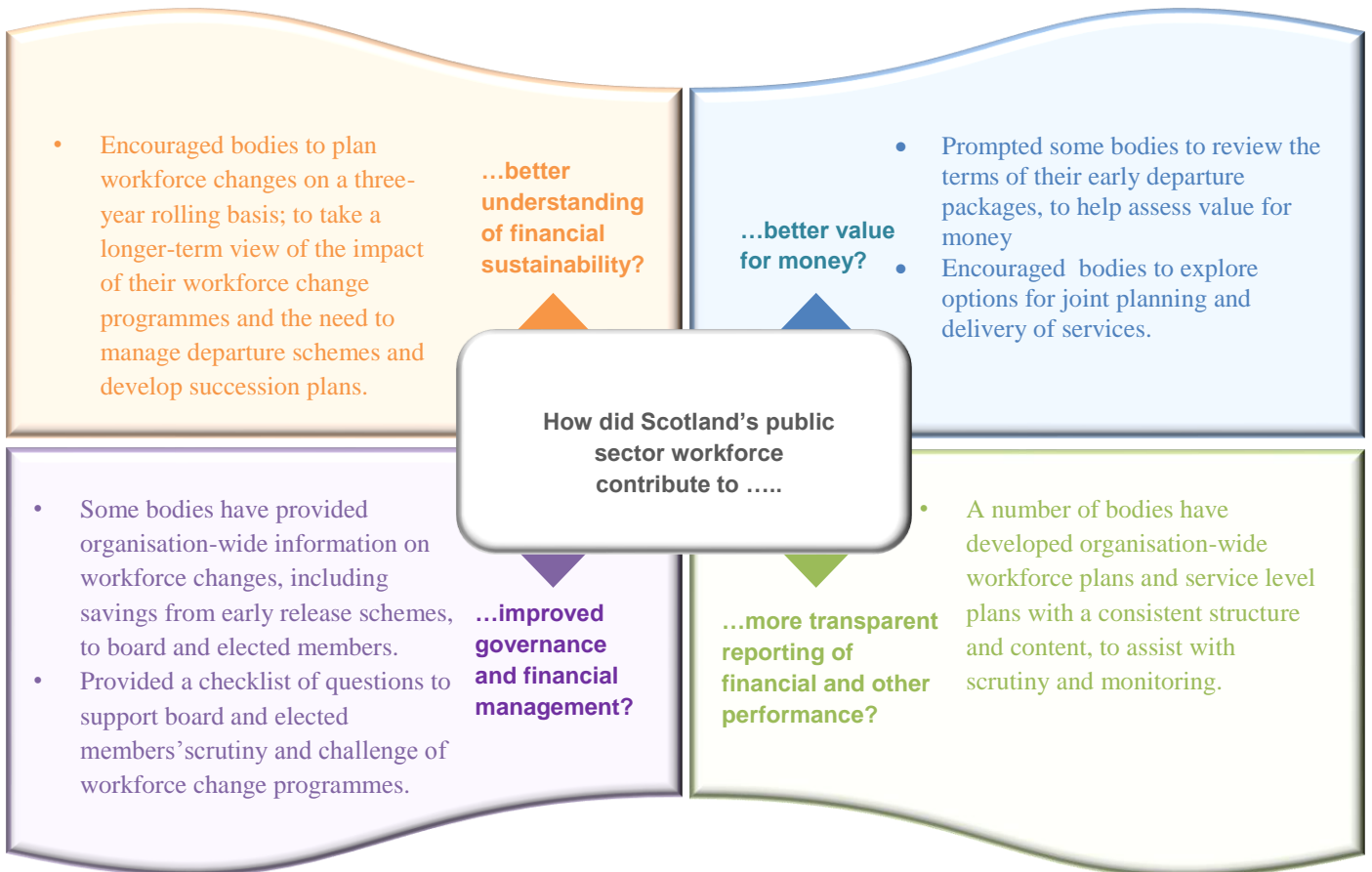
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary of overall progress

Contribution to key aspects of public sector audit



Introduction

1. This report summarises the impact made by the joint Accounts Commission and Auditor General for Scotland performance audit '*Scotland's public sector workforce*' published on 28 November 2013 and the related good practice guide.
2. Our report looked at how the devolved public sector - councils, the NHS, the Scottish Government and other central government bodies - managed changes to its workforce to ensure that it continued to deliver service priorities, while helping bodies to deal with financial pressures and make savings. The specific objectives of the audit were to determine:
 - How will the size and structure of the public sector workforce change between April 2009 and March 2015?
 - What were the financial costs and benefits of changes to the public sector workforce and are the changes likely to provide long-term cost reductions?
 - Did the workforce planning approaches that public bodies used follow good practice and include assessments of capacity and capability to ensure that the workforce can meet future needs?
 - What significant opportunities and challenges face those managing the public sector in future years?
3. Audit evidence was gathered from:
 - published and unpublished national and local data
 - work at nine fieldwork sites
 - responses to a survey of 80 public bodies
 - interviews with representatives from organisations such as the Royal College of Nursing, the Society of Local Authority Chief Executives, and the Scottish Social Services Council.
4. The key messages from the report were:
 - From March 2009 to March 2013, the Scottish public sector workforce reduced by 26,600 WTE (seven per cent), to 373,400. A significant number of staff left through early departure schemes (15,816 WTE, equal to four per cent of the 2009 workforce). Another 9,664 WTE (three per cent) transferred to ALEOs or other non-public sector bodies.
 - These changes helped public bodies to reduce their staff costs by an estimated £1 billion (eight per cent) between 2009/10 and 2011/12. Payments to ALEOs and other non-public sector bodies to deliver public services offset some of this reduction in staff costs.
 - The 80 survey bodies used a range of approaches to manage workforce numbers and costs. Each of the nine fieldwork bodies planned, at a service level, when changing their workforces. NHS bodies also produce single organisation-wide plans, bringing together their service-level workforce plans. Eight fieldwork bodies had used an early departure scheme but none had fully tested their schemes before using them. Fieldwork bodies did not routinely collect information on the costs and savings of their workforce change programmes.

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- Public sector finances will be under pressure for the foreseeable future although this varies between sectors. At the time we completed our work, only 58 of the 80 public bodies surveyed were able to predict workforce numbers and costs for 2014/15.
 - Given the challenges ahead, public bodies will need to make further workforce changes. Without service reform these are unlikely to deliver the savings needed. Public bodies need to think differently about how they deliver services, for example by prioritising and redesigning services and increasing joint working and collaboration. The Scottish Government has a number of reforms under way that could help deliver some of the change needed.

5. The main recommendations were:

The Scottish Government and the Convention of Scottish Local Authorities (COSLA) should:

- work with public bodies to improve the consistency and accessibility of the data they collect on public sector employment and staff costs. This would provide more clarity on the relationship between staff numbers and costs and the impact of changes in employment levels on disposable income and workforce availability
- provide strategic guidance on how bodies can redesign services and work better together to jointly plan and deliver services
- improve strategic planning of public sector workforces to identify and plan for future skills needs, gaps and challenges across the public sector.

Where they have not already done so, councils, the NHS, the Scottish Government and central government bodies should:

- develop and use organisation-wide workforce plans, informed by a series of service or departmental plans that are consistent in their structure and content. Senior managers and boards or elected members should scrutinise and monitor these plans
- assess the impact of different terms and conditions on the likely costs and uptake of their schemes before they put a scheme in place
- collect information on the costs and net savings from their workforce programmes and report these details to boards and elected members
- forecast expected staff numbers, skill needs and costs on a rolling three-year basis, using scenario planning where necessary
- make better use of existing mechanisms, such as community planning partnerships, to identify opportunities to share resources, including workforces.

6. We anticipated that the report would add value in a number of areas by identifying lessons learned and highlighting good practice to aid workforce planning across the public sector. To help with this we published a *'good practice guide'* in March 2014. We aimed this at those involved in scrutinising workforce plans. It has two parts; the first part highlights good practice in workforce planning, with examples including approaches to developing workforce plans and implementing change programmes. The second part provides questions to support board and elected members' scrutiny and challenge of workforce plans and change programmes.

7. The report also brought together information on the current composition of the public sector workforce, provided future projections, and assessed whether organisations were planning their current and future workforces effectively.

Raising awareness and communication of key messages

Media coverage

8. There were 46 items of media coverage at the time of publication, in line with the average for a report of this type. The story ran top of the BBC website for most of the day and featured heavily on Radio Scotland's Good Morning Scotland including interviews with John Baillie, Dave Watson of Unison, Professor Richard Kerley and Local Government Minister, Derek MacKay. Jamie McIvor picked the story up for BBC Reporting Scotland and Dave Cowan for STV. Both ran packages. The Scotsman ran a sidebar on the front page with more in-depth coverage and an editorial inside. The Daily Record also used the report for its "Record View" column. In the specialist press, HR Network Scotland ran a large feature in its January issue and Public Finance also ran a feature online.
9. Media coverage and report downloads from Audit Scotland's website in the 12 months since publication are summarised below:

| Media items/downloads | Number of items: Twelve months after publication |
|--------------------------------|--|
| National press | 12 |
| Local press | 6 |
| Television | 6 |
| Radio | 17 |
| Specialist press | 3 |
| Online | 9 |
| TOTAL MEDIA ITEMS | 53 |
| Report downloads (PDF) | 3600 |
| Report downloads (RTF) | 332 |
| Podcast downloads | 118 |
| Good practice guide downloads* | 699 |
| TOTAL DOWNLOADS | 4,749 |

Note * From March 2014 – March 2015. Other data is from December 2013-December 2014.

10. The good practice guide was downloaded 142 times in the month after it was released and has continued to be downloaded on average 60 times each month since then.

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11. The main messages from the news release were well used, in particular our findings on the numbers of staff who have left the public sector and the reduction in the pay bill. John Baillie, Caroline Gardner, the BMA, COSLA, Unison, the Royal College of Nursing, the Conservatives, Labour, and a Scottish Government spokesperson were all quoted and Local Government minister Derek MacKay and Professor Richard Kerley were both interviewed. The Greenock Telegraph and the Border Telegraph both used the report's findings to highlight local issues and, after its initial story on the report on the 28 November, the Daily Mail ran a story on an "NHS staff crisis" which mentioned the report. The media continued to refer back to the work when running related stories over the year. For example, the Sunday Times referenced the work in October 2014 in an article about the shrinking Scottish public sector.

Presentations and promotion by social and other media

12. Angela Cullen, PABV Assistant Director, was invited to present at the *'Tackling Absenteeism in the Public Sector in Scotland: Prevention and Health Promotion'* conference on 27th March 2014. The presentation covered the audit's key findings, and reported on the changes in the public sector workforce between 2009 and 2013. Dave Watson from Unison drew attention to the availability of the report and good practice guide in his blog from the conference and noted Audit Scotland had published useful additional data.
13. The Wales Audit Office (WAO) undertook a similar audit of the Welsh public sector workforce in 2014. When their report was published, the WAO added a link to our good practice guide from their website, recommending its use.

Parliamentary consideration

14. The report was considered by the Public Audit Committee at the Scottish Parliament on Wednesday 4 December 2013. Questions from MSP's were focused around the following areas:
- reasons for bodies increasing staff numbers at a time of reducing budgets
 - arm's-length external organisations (ALEOs), governance of them and the impact of staff transferring out of the public sector, but still providing public sector services
 - the impact of vacancy management and unfilled vacancies on service delivery
 - organisations unable to provide information on future staffing levels
15. Following the briefing from the Auditor General for Scotland and Audit Scotland representatives, the Public Audit Committee requested some further information on:
- which bodies have increased their staff numbers
 - the outstanding value of equal pay claims (broken down by council)
 - the head count number reduction for the sectors included in the report
 - the organisations that have used compulsory redundancies.¹

¹ The information provided can be found at :
http://www.scottish.parliament.uk/S4_PublicAuditCommittee/response_to_PAC_final.pdf

Contribution to national policy developments

16. Based on our observations we are not aware of significant change in Scottish Government and COSLA activity supporting workforce planning. NHS Scotland's workforce planning website now includes a workforce planning template that encourages planning over a three-year time frame. The Improvement Service website offers various tools to improve workforce planning. Discussions with the Improvement Service about use of their services suggest that councils tend to seek help with a specific workforce issue and not more holistic approaches.

Local consideration of the report

17. We gathered evidence on how bodies had used our report while carrying out other financial and performance audit work and through a short follow-up exercise with councils. A review of council responses to our information request revealed the following examples of how they had used our report to guide their workforce planning approaches:
- In September 2014, Fife Council used our good practice guide in a workshop designed to ensure its workforce planning reflected our good practice recommendations.
 - Some councils reviewed their workforce planning activity against the recommendations in our report and good practice guide. This led to a range of actions, for example:
 - East Ayrshire Council submitted a review of the good practice guide to its Governance and Scrutiny Committee in June 2014. The council made a copy of the guide available to elected members through its members' portal and drew attention to the scrutiny questions provided in the second part of the guide. It also asked members to note the general findings, key messages and recommendations in the good practice guide; and ask council staff to assess existing council systems and procedures and, specifically, to agree to it:
 - reviewing its voluntary severance programme
 - mapping factors that will impact on the council over the next 3-5 years
 - mapping how current council practices match against arrangements in the Audit Scotland good practice guide
 - considering the development of a corporate workforce plan
 - building capacity in the workforce by developing, for example, a talent management programme.
 - In April 2015, based on one of our report's recommendations, East Renfrewshire Council's Corporate Management Team agreed that the workforce plan would take a longer-term approach, be more joined-up across service and departmental levels and adopt a similar structure to plans used by NHS bodies. This was seen as likely to make it easier for the health and social care partnership to develop a workforce plan that fits with the individual plans developed by the council and NHS.

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- In February 2014, Highland Council accepted our recommendation to adopt a more consistent approach to its workforce planning and to include workforce numbers in its future plans.
 - Best Value reviews of Edinburgh City Council have previously recommended that the council develop a corporate workforce plan, although the council had not progressed this work when we completed our report on Scotland's public sector workforce. The council has now stated that it will use our guidance when creating an organisation-wide workforce plan.

Progress on implementing recommendations

18. When we completed the audit in 2013, none of Scotland's councils had a workforce plan that covered the whole organisation. Instead they planned changes to their workforces at a service or departmental level. NHS bodies had produced detailed organisation-wide workforce plans, in line with a specific Scottish Government requirement to produce these annually. We recommended that bodies should use organisation-wide workforce plans, informed by a series of service or departmental plans that are consistent in their structure and content. Our good practice guide contained links to templates used by NHS Wales, which bodies could use to help integrate workforce planning at an organisational and service level.
19. In May 2015 we contacted all councils to establish what progress they had made in integrating their workforce planning across the organisation. We asked them to send us copies of their workforce planning documents, including any single organisation-wide plans, and examples of service-level plans. Over two thirds of councils (22) provided written information in response to our request.² Based on these replies we found that :
 - Seven councils provided evidence of organisation-wide workforce planning, although none had plans that fully complied with the content suggested in our good practice guide.
 - A further five councils provided copies of service-level plans where the structure and content of the plans was consistent, allowing comparison and central analysis and scrutiny.
20. Overall, 12 councils provided documentation showing they had made progress in adopting our recommendations on creating workforce plans that would allow elected members to scrutinise and monitor workforces across the council more easily. Others indicated that they were doing this, but we have not seen evidence of their work on this.
21. Appendix 1 lists the main recommendations from the report and the evidence we have gathered on progress in implementing these recommendations.

² Those responding were Aberdeen City, Aberdeenshire, Argyll and Bute, Clackmannanshire, Dundee City, East Ayrshire, East Lothian, East Renfrewshire, Eilean Siar, Fife, Highland, Inverclyde, Midlothian, Moray, North Ayrshire, Renfrewshire, Scottish Borders, South Ayrshire, South Lanarkshire, Stirling, West Dunbartonshire and West Lothian.

Appendix 1. Progress on implementing the main recommendations in Scotland’s public sector workforce

| Recommendation | Progress |
|---|---|
| The Scottish Government and the Convention of Scottish Local Authorities (COSLA) should: | |
| <ul style="list-style-type: none"> work with public bodies to improve the consistency and accessibility of the data they collect on public sector employment and staff costs. This would provide more clarity on the relationship between staff numbers and costs and the impact of changes in employment levels on disposable income and workforce availability | <p>We are not aware of any developments suggesting that published data has become more comprehensive, consistent or available.</p> |
| <ul style="list-style-type: none"> provide strategic guidance on how bodies can redesign services and work better together to jointly plan and deliver services. | <p>The Improvement Service offers various services including e-learning packages on workforce planning, checklists and advice on generating workforce data and measuring impacts on the local economy.</p> |
| <ul style="list-style-type: none"> improve strategic planning of public sector workforces to identify and plan for future skills needs, gaps and challenges across the public sector | <p>This theme has also been highlighted in Accounts Commission reports on self-directed support and school education, and in the Auditor General’s report on accident and emergency services, all of which commented on recruitment and retention difficulties in filling vacancies.</p> <p>Individual bodies have taken steps to help attract staff, but we are aware of only one new national initiative to address skills gaps - the Digital Transformation Service, launched by the Scottish Government to ensure that central government bodies have access to the IT skills they need. Details can be found in the Auditor General’s report on <i>Managing ICT contracts in central government ; an update</i> (we will include a link to the report, before we publish our impact report).</p> |

| Recommendation | Progress |
|--|---|
| Where they have not already done so, councils, the NHS, the Scottish Government and central government bodies should: | |
| <ul style="list-style-type: none"> develop and use organisation-wide workforce plans, informed by a series of service or departmental plans that are consistent in their structure and content. Senior managers and boards or elected members should scrutinise and monitor these plans | <p>A number of councils have begun to put organisation-wide workforce planning in place. Six councils provided copies of an organisation-wide plan although none of these fully complied with the content we suggested in our good practice guide. In particular, plans did not contain details on future staffing numbers. The East Renfrewshire, Fife, North Ayrshire, Stirling and West Dunbartonshire Council plans contained details on the current workforce structure and the Aberdeen City, East Renfrewshire Fife and Moray plans contained information on strategies the council would employ to help meet future workforce needs.</p> <p>North Ayrshire operated with service –level workforce plans, but had collated information from these for council-wide monitoring.</p> <p>Five councils provided examples of service level plans that were consistent in their structure and content across service areas, in line with our recommendation to make it easier to compare them and subject them to central analysis and scrutiny.</p> <p>East Ayrshire Council provided access to the scrutiny questions suggested in our good practice guide to elected members through its members’ portal.</p> <p>Ten councils did not respond to our request for information and so we are not sure what actions they have taken. Ten provided materials that did not demonstrate that the councils had plans in a format that met our recommendation.</p> |
| <ul style="list-style-type: none"> assess the impact of different terms and conditions on the likely costs and uptake of their schemes before they put a scheme in place | <p>This recommendation was addressed in our <i>early departures impact report</i>. It found that some bodies had taken action, retrospectively, to review terms in their schemes, such as added years and payback periods, to help assess value for money. The <i>early departures impact report</i> also found:</p> |

| Recommendation | Progress |
|---|--|
| | <ul style="list-style-type: none"> • an absence of clear business plans to demonstrate that early departure packages represented value for money. • lack of scrutiny of the overall terms of packages being offered to all staff. • lack of scrutiny of the specific packages relating to senior staff. |
| <ul style="list-style-type: none"> • collect information on the costs and net savings from their workforce programmes and report these details to boards and elected members | <p>There is some evidence that councils are collecting information on savings from workforce programmes and reporting this to elected members. East Ayrshire Council reviewed the voluntary severance programme it completed, which contributed to a 4.7 per cent headcount reduction in non-teaching staff numbers and met the Council's objective to reduce employee costs. The council provided elected members with regular reports on numbers.</p> <p>East Lothian Council reported details of the savings made from its voluntary early release scheme (£2.8 million (whole year) savings against a target of £3 million) to its audit and governance committee. However, the 2014 best value report on East Dunbartonshire Council found that the council did not report net savings from its voluntary redundancy programme.</p> |
| <ul style="list-style-type: none"> • make better use of existing mechanisms, such as community planning partnerships, to identify opportunities to share resources, including workforces | <p>There are a number of joint working initiatives in place with an impact on workforces, for example, integration of health and social care services. As part of the guidance introduced by the Scottish Government to help bodies integrate these services, councils and NHS boards are required to produce workforce and organisational development strategies to support the new arrangements.</p> <p>East Ayrshire Council is undertaking a mapping exercise to identify options for shared service working with neighbouring authorities and assess the impact on workforces. This will apply initially to the Ayrshire Roads Alliance, East Ayrshire Leisure and the three health and social care integration partnerships.</p> |

| Recommendation | Progress |
|---|--|
| <ul style="list-style-type: none"> forecast expected staff numbers, skill needs and costs on a rolling three-year basis, using scenario planning where necessary | <p>NHS Scotland has developed a template that NHS boards can now use to plan workforces over a three-year period. At the time of our audit, NHS workforce plans were for a 12-month period only.</p> <p>East Renfrewshire Council has proposed to elected members that it will adopt our recommendation to develop longer-term workforce planning, on a three-year rolling basis. Moray Council has adopted a three-year planning cycle for its organisational development plan.</p> |