

# Scotland's public sector workforce



 ACCOUNTS COMMISSION

 AUDITOR GENERAL

Prepared by Audit Scotland  
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## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Summary



## Key facts

Number of whole-time equivalent (WTE) staff employed directly by councils, the NHS, the Scottish Government and other central government bodies in Scotland in March 2013

**373,400<sup>1</sup>**

Estimated staff costs in public sector bodies 2011/12

**£12.7 billion**

Total reduction in staff costs between 2009/10 and 2011/12

**£1 billion (8%)**

**15,816 (4%)<sup>2</sup>**

Minimum number of staff (WTE) who left through an early departure scheme between 2009/10 and 2012/13

**9,664 (3%)<sup>2</sup>**

Number of WTE jobs transferred between 2009/10 and 2012/13 to arm's-length or other bodies who deliver services that are paid for, at least in part, by public money

Notes:

1. Calculated by Audit Scotland from Office for National Statistics and Information Services Division data.
2. Percentage of 2009 workforce.

## Background

**1.** Workforce planning is the process that organisations use to make sure they have the right people with the right skills in the right place at the right time. To manage their workforces effectively, organisations need to have up-to-date information on:

- the numbers of people they employ to carry out different tasks
- what skills the workforce has and where there are gaps
- what skills and staff will be needed to deliver future services and priorities.

They must then plan and manage their workforces, and make any necessary changes, to meet their organisational objectives.

**2.** The devolved public sector is an important source of employment in Scotland.<sup>1</sup> In March 2013, councils, the NHS and central government, including the Scottish Government, employed 443,900 full and part-time staff (headcount), representing 18 per cent of the total workforce in Scotland.

**3.** Staff costs are the largest single element of public bodies' spending. In 2011/12, around £12.7 billion was spent on staff costs in councils, the NHS, the Scottish Government and other central government bodies. Public bodies need to manage their workforces strategically to deliver service priorities while dealing with financial pressures and making savings. Many bodies are currently reducing the size of their workforces to help meet budget cuts, through early departure schemes, outsourcing service delivery to other organisations and changing how they deliver services.<sup>2</sup> It is important, when making these changes, that bodies retain staff with the skills needed to deliver their strategic priorities and that the approaches they use provide value for money.

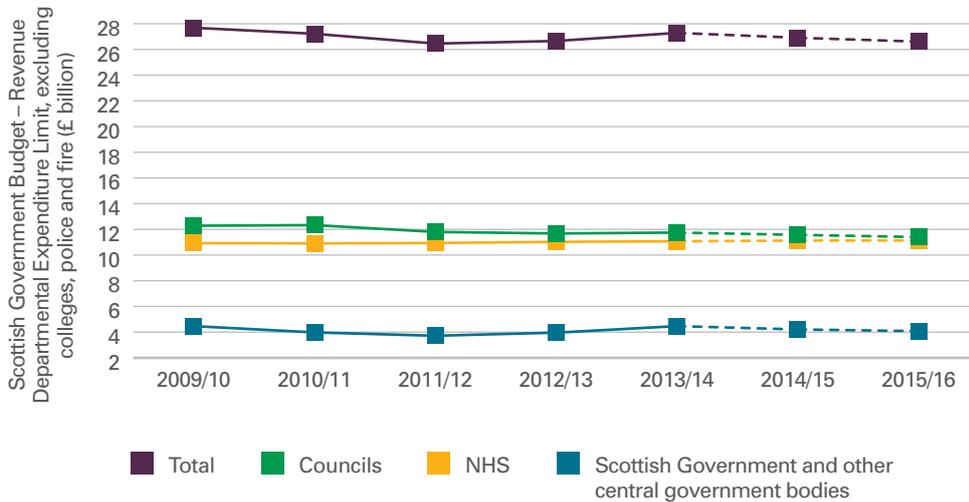
**4.** Councils receive around 70 per cent of their funding from Scottish Government revenue funding, council tax, and non-domestic rates.<sup>3 4</sup> We estimate that in 2012/13 councils received around £11.7 billion revenue funding from these sources. The NHS received £11 billion revenue funding from the Scottish budget in 2012/13. Central government, which includes bodies such as the Scottish Government, Scottish Water, the Scottish Court Service and Creative Scotland, received £4 billion revenue funding. In total, these three sectors received £26.7 billion in revenue funding from the Scottish budget, council tax and non-domestic rates in 2012/13. This is £1 billion (four per cent) less in real terms than in 2009/10.<sup>5</sup> Between 2009/10 and 2012/13:

- council income from Scottish Government revenue funding, council taxes and non-domestic rates reduced by £607 million (five per cent) in real terms, to £11.7 billion
- the NHS's revenue budget allocation increased by £99 million (one per cent) in real terms, to £11 billion
- the central government sector's revenue budget reduced by £516 million (12 per cent) in real terms, to £4 billion. ([Exhibit 1, page 6](#)).

## Exhibit 1

### Funding changes 2009/10 to 2015/16

Since 2009/10 all sectors have faced budget pressures and these will continue to 2015/16 at least.



Note: Figures converted to 2012/13 prices. Figures for councils include Scottish Government grants and receipts from non-domestic rates and council taxes. They exclude receipts from service fees and charges for council services, other revenue and housing rents.

Source: Audit Scotland



**5.** The financial pressures facing Scottish public bodies will continue until at least 2015/16, the period of the current Spending Review. Further detail is included in [Part 3](#) of this report.

### About our audit

**6.** The aim of our audit was to assess if public bodies are effectively managing changes to their workforces. The specific objectives 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 workforce in future years?

**7.** The nature of public services and how they are provided has changed significantly in recent years. Many public bodies have outsourced aspects of their work to arm's-length external organisations (ALEOs) or to private sector companies. Third sector organisations also provide a range of services on behalf of public bodies. In all of these cases, some form of public funding is

paid to the service provider, a proportion of which will be used to pay staff. This report focuses on staff employed directly by public sector organisations, and on the costs associated with employing those staff. The report does not look at the funds paid to other bodies providing services on behalf of public bodies or their employees.

**8.** We gathered audit evidence from:

- published and unpublished national and local data
- work at nine fieldwork sites <sup>6</sup>
- responses to our survey of 80 public bodies <sup>7</sup>
- interviews with representatives from organisations such as the Royal College of Nursing, British Medical Association, the Society of Local Authority Chief Executives (SOLACE), and the Scottish Social Services Council.
- [Appendix 1 \(page 43\)](#) sets out our audit approach and details who took part in our audit. [Report supplement 1 \(PDF\)](#)  summarises the details of our nine fieldwork sites. Our audit did not include a number of smaller central government bodies and some bodies did not provide all of the information we asked for.

**9.** We received assistance and advice throughout the audit from an advisory group. [Appendix 2 \(page 45\)](#) lists the members of this group.

**10.** We focused on the approaches used by councils, the NHS, the Scottish Government and other central government bodies to change their workforces from April 2009 to March 2013. We used this time period, as 2009/10 was the last year in which budgets increased. Most of the figures quoted in our report refer to this period. Our information on staff costs covers the period from April 2009 to March 2012, as actual costs for 2012/13 for all bodies were not available at the time of our audit. To help understand what might happen up to the end of the current spending review period, we include some estimates up to 2014/15. These were provided by surveyed bodies and other named sources.

**11.** When we refer to the 'public sector in Scotland' we refer to the staff directly employed by councils, the NHS, the Scottish Government and other central government bodies. Our report excludes the 39,500 whole time equivalent (WTE) staff employed by colleges, police, and the fire and rescue service.<sup>8</sup> We have excluded these bodies and staff because they were undergoing major reform at the time of our audit.

**12.** The three sectors included in our audit operate within different frameworks:

- The NHS and central government bodies are directed by the Scottish Government to follow certain policies. Both sectors have a no-compulsory-redundancy policy, and adopted the Scottish Government's pay policy, introduced as part of the 2011/12 Scottish budget announcement.<sup>9</sup>
- Councils have greater autonomy over how they deliver services, manage budgets, and employ and manage workforces. One significant difference is the use of compulsory redundancy. While the Scottish Government has

restricted the use of compulsory redundancy in central government bodies and the NHS, some councils have used compulsory redundancy to change their workforces.

- The NHS adheres to some workforce management policies that operate at a UK level. These apply to the majority of NHS staff. All doctors', dentists', nurses' and allied health professionals' pay is based on recommendations by UK pay review bodies.
- Some NHS, Scottish Government and central government bodies are restricted in how they can reduce costs as a result of guarantees to protect staff terms and conditions. Some staff are given lifetime pay protection when they change job due to organisational restructuring while others may have their terms and conditions protected for a specified time only.

**13.** This audit complements our report *Managing early departures from the Scottish public sector*.<sup>10</sup>

**14.** Our audit report is in three parts:

- [Part 1](#). Changes in staff numbers and costs
- [Part 2](#). Implementing workforce changes
- [Part 3](#). Planning for future workforce changes

**15.** In addition to this report, we will publish the following supporting material on our website in January 2014:

- Background data for individual public bodies.
- Good practice guide.

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# Key messages

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- 1** 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 staff still deliver services paid for by public money, but they are no longer included in public sector employment figures.
- 2** These changes helped public bodies to reduce their staff costs by an estimated £1 billion (eight per cent) between 2009/10 and 2011/12. Some of this reduction in staff costs will be offset by other payments to ALEOs and other non-public sector bodies to deliver public services.
- 3** 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.
- 4** 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.
- 5** 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.

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## Recommendations

### 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.
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# Part 1

## Changes in staff numbers and costs



### Key messages

- 1** From March 2009 to March 2013, the Scottish public sector workforce reduced by 26,600 WTE (seven per cent) to 373,400.
- 2** Over these four years, 9,664 staff transferred to arm's-length or other bodies outside the public sector. These staff still deliver services paid for by public money, but they are no longer included in public sector employment figures.
- 3** At least 15,816 WTE staff left through early departure schemes.
- 4** Staff have also retired or left for jobs outside the public sector. At the same time, public bodies have recruited staff to fill posts that are critical to their ability to deliver services.
- 5** Reported staff costs reduced by £1 billion (eight per cent) to £12.7 billion, between 2009/10 and 2011/12. Some staff who transferred to arm's-length and other non-public sector bodies are still being paid indirectly through public funds.

### The public sector workforce reduced by 26,600 WTE (seven per cent) between 2009 and 2013

**16.** The devolved public sector workforce in Scotland grew by 52,700 WTE staff (a 1.5 per cent annual increase) in the ten years after devolution, from 347,300 in March 1999 to 400,000 in March 2009. From March 2009 to March 2013, public bodies reduced their workforces overall by seven per cent, equivalent to a 1.7 per cent annual decrease, to 373,400 WTE staff:<sup>11</sup>

- Councils made the biggest reduction of 23,800 WTE staff (ten per cent) to 204,500 WTE.
- The NHS made the smallest reduction, with its workforce decreasing by 1,400 WTE staff (one per cent) to 133,200 WTE.
- The Scottish Government and other central government bodies reduced their workforces by 1,400 WTE overall (four per cent) to 35,700 WTE staff.

**17.** Between March 2009 and March 2012, councils, the NHS, the Scottish Government and other central government bodies reduced their workforces by

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councils, the NHS, the Scottish Government and other central government bodies have reduced staff numbers and costs since 2009

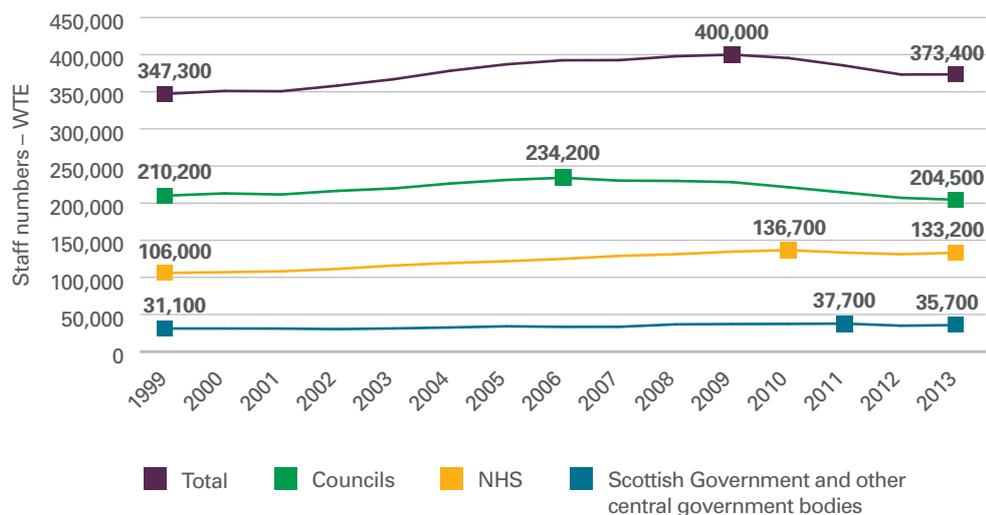
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26,800 WTE to 373,200 WTE staff. The public sector workforce has begun to grow again. During 2012/13, there was a net increase of 200 WTE. Council staff reduced by a further 2,600 WTE while NHS and central government workforces increased by 2,000 and 800 respectively<sup>12</sup> ([Exhibit 2](#)).

## Exhibit 2

### Public sector employment between 1999 and 2013, by sector

Public sector employment declined from a peak of 400,000 in 2009. Council employment began declining in 2006.



Source: Audit Scotland from Office for National Statistics data

**18.** Councils began to reduce their workforces in March 2006, by an average of just under one per cent a year until 2009. Since then, councils have reduced workforces by an average of 2.6 per cent each year. The Scottish Government and other central government bodies and the NHS began to reduce numbers in the first six months of 2010.

**19.** Fifty-nine of the 80 public bodies in our survey, including all 32 councils, reduced the size of their workforce between 2009 and 2013. Eighteen NHS and central government bodies increased their staff numbers:

- Thirteen of 22 NHS bodies reduced their workforces, while nine increased staff numbers. Six of the eight special boards increased their staff numbers, ranging from an increase of three WTE at the Scottish Ambulance Service, to over 450 additional WTE staff (79 per cent increase) at NHS Education for Scotland.<sup>13</sup> Only three of the 14 territorial boards increased staff numbers: NHS Lothian, by 78 WTE (less than one per cent); NHS Shetland, by 48 WTE (ten per cent); and NHS Highland, by 811 WTE (11 per cent) ([paragraph 20](#)).
- Fourteen of the 26 central government bodies surveyed reduced their workforces. Nine increased their total staff numbers.<sup>14</sup>

**20.** Some of the changes to individual workforces are due to staff transferring within the public sector. They do not affect the overall total but result in movements across and within sectors. For example, the NHS is now responsible for prisoner healthcare, which led to the transfer of 253 staff from the Scottish Prison Service

to nine territorial health boards in October 2011.<sup>15</sup> New arrangements for the integration of health and social care in the Highlands led to the transfer, in April 2012, of 1,100 staff from Highland Council to NHS Highland, and 160 staff from NHS Highland to the council. Other significant changes have taken place through the Scottish Government's programme to simplify the public sector landscape. This resulted in staff transfers between existing, merged and new central government bodies. For example, in April 2010, around 615 staff transferred from two bodies to the Scottish Government to create Marine Scotland.

### Almost 10,000 WTE staff transferred to arm's-length or other bodies outside the public sector

**21.** Based on our survey, we calculate that since 1 April 2009, 9,664 WTE staff transferred from councils, the NHS and central government bodies to arm's-length bodies (ALEOs) or other bodies outside the public sector, such as SERCO.<sup>16</sup> This is equivalent to 36 per cent of the overall reduction in workforce numbers.

**22.** In the last four years, 15 councils, one NHS board and two central government bodies transferred staff to ALEOs and other non-public sector bodies. Councils transferred a total of 9,100 WTE staff (just under four per cent of the total council workforce in March 2009). NHS Forth Valley transferred 541 facilities management staff to SERCO in 2010/11, as part of the contract arrangement for the new Forth Valley Royal Hospital. Highlands and Islands Enterprise and Scottish Enterprise transferred 23 staff in total to Atos in 2011 as part of a joint IT shared services arrangement with Skills Development Scotland.

**23.** Staff who transferred under these arrangements are not included in the public sector employment statistics or staff costs. They may continue to provide or support the delivery of public services, paid for by public money. The cost of these outsourcing arrangements is reported in public bodies' accounts as general expenditure rather than as staff costs. [Case study 1](#) illustrates how this works.

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### Case study 1

#### South Lanarkshire Council transferred 224 WTE staff to an ALEO to deliver its sport, culture and recreation facilities

In 2010, South Lanarkshire Council transferred 224 WTE staff to South Lanarkshire Leisure and Culture Trust. The trust receives an annual service fee (£21.6 million in 2011/12) from the council. It also receives income from users through charges for the services it provides. The staff are no longer included in the public sector employment statistics or accounted for as public sector staff costs. They continue to deliver public services and the council contributes to the costs through the annual service fee.

Source: Audit Scotland

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### The public sector workforce reduced by 15,816 WTE through early departure schemes

**24.** In *Managing early departures from the Scottish public sector*, we reported that 13,846 public sector staff (headcount) agreed to leave their employment as part of an early departure scheme in 2010/11 or 2011/12.<sup>17</sup> Usually staff do not leave immediately. For example, when agreeing early departures in 2011/12 and 2012/13,

the Scottish Government set three dates over each year when staff could leave. In Glasgow City Council, departure dates were set by individual heads of service and spread over a three-year period. For this audit, we collected information on the number of staff who actually left each year from 2009/10 to 2012/13.

**25.** Over the four years from 2009/10 to 2012/13, 18,908 people (headcount) left their jobs through an early departure scheme. We have calculated the number of jobs affected on a WTE basis, using a conversion factor based on data from the Office for National Statistics (ONS). We estimate that 15,816 WTE jobs were vacated by the 18,908 employees who left through early departure schemes.

**26.** The number of staff leaving through early departure schemes varied across the public sector. The Scottish Government and other central government bodies made the greatest relative use of early departure schemes to reduce workforce numbers:

- 11,543 WTE staff left councils, equivalent to five per cent of the March 2009 workforce in councils
- 946 WTE staff left the NHS, equivalent to one per cent of the March 2009 NHS workforce
- 3,327 WTE staff left the Scottish Government and other central government bodies, equivalent to nine per cent of the March 2009 workforce.

**27.** The number of staff leaving through early departure schemes peaked at 6,238 WTE in 2010/11. The number of public bodies using early departure schemes peaked one year later in 2011/12. The number of people leaving through early departure schemes has reduced in recent years in all three sectors. This downward trend may be due to a combination of factors, including the targeting of schemes and less interest in early departure schemes amongst remaining staff ([Exhibit 3, page 15](#)).

### Natural departures, secondments and recruitment led to further changes

**28.** Of the 26,600 WTE posts removed from the public sector between 2009 and 2013, 9,664 were through transfers to ALEOs and other bodies outside the public sector. Reductions through public bodies' early departures schemes led to 15,816 fewer posts. This leaves a net difference of 1,120 WTE posts. This is made up of a combination of recruitment; secondments to other non-public sector bodies; and natural turnover, when staff retire or leave for jobs outside the public sector.<sup>18</sup>

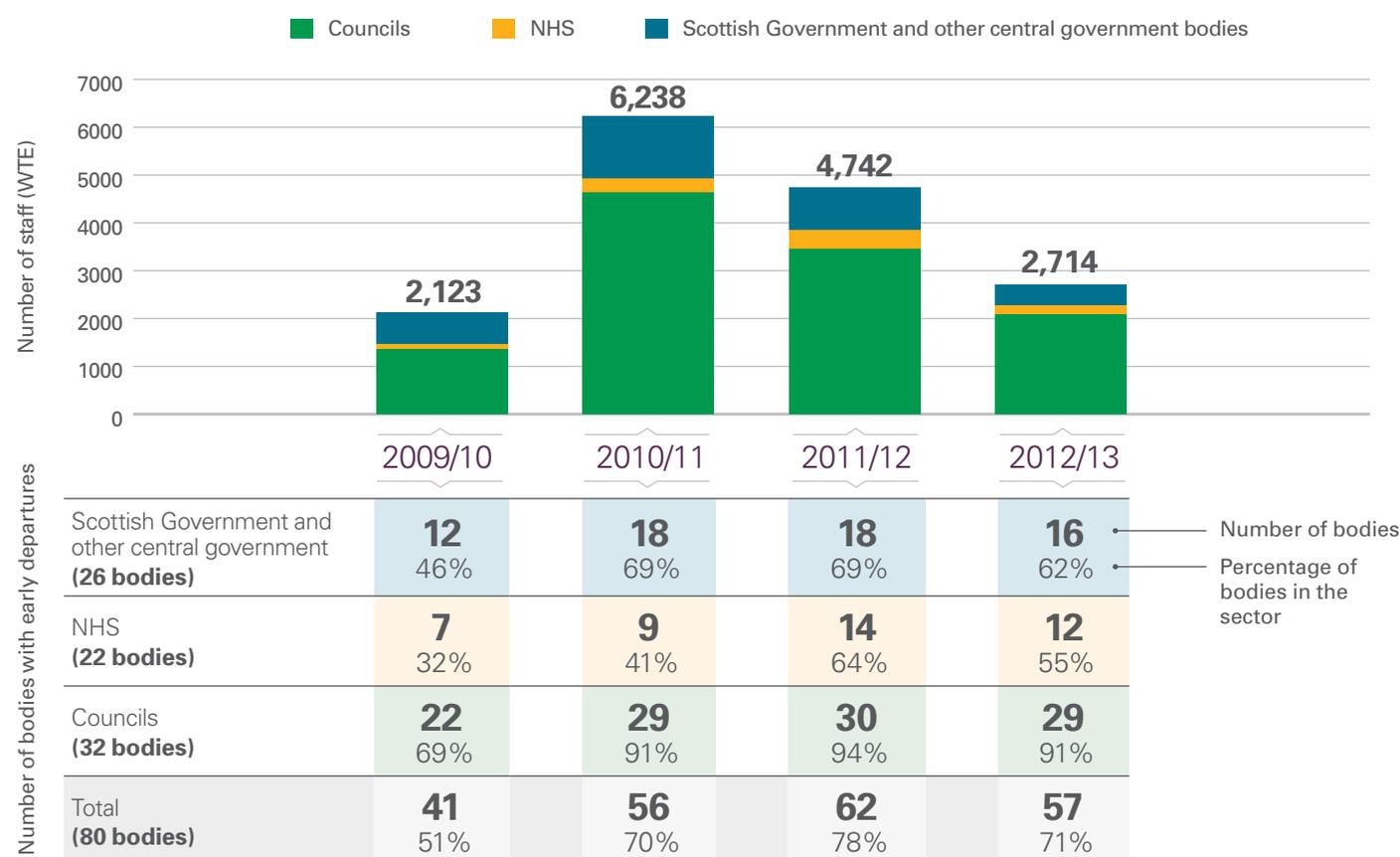
**29.** Overall staffing levels have decreased. Councils, the NHS, the Scottish Government and central government bodies have also recruited staff. For example to replace business-critical skills lost through natural turnover or to bring in new skills to deal with service changes and new responsibilities. The Scottish Environment Protection Agency (SEPA) recruited 43 staff between 2009 and 2013 to deliver new responsibilities arising from the Flood Risk Management (Scotland) Act 2009. The new responsibilities included: producing a national flood risk assessment for Scotland; identifying vulnerable areas; producing flood hazard and flood risk maps; and establishing a flood risk management planning service. Overall, SEPA reduced its staff numbers by 148 WTE between 2009 and 2013.

**30.** It is important that public bodies plan strategically. When a post is vacated they should firstly assess if the post is business-critical and if so, how it should be filled.

### Exhibit 3

#### Number of bodies using, and staff (WTE) leaving through, early departure and early retirement schemes, 2009/10–2012/13

The number of people leaving through an early departure scheme has reduced in recent years.



Source: Audit Scotland



We found that, when staff left a business-critical post, our fieldwork bodies often re-evaluated and re-graded the job. Public bodies also took advantage of staff leaving to redeploy staff from elsewhere in the organisation ([Case study 2, page 16](#)).

### Some aspects of the workforce profile changed between 2009 and 2013

**31.** As well as the overall reduction in public sector staff, the profile of the workforce has changed. Between 2009 and 2013, the average age of public sector staff increased. In 2013, the average age was 44 years and four months compared with 43 years and nine months in 2009. We looked at the age distribution of the full and part-time staff in our survey bodies in 2009 and 2013 and found that the number of staff:

- aged under 20 years fell by 25 per cent
- aged 50-59 years increased by 5 per cent
- in all other age groups decreased by between six and 12 per cent ([Exhibit 4, page 17](#)).

If all of those aged 50 years or more leave their jobs within the next 10–15 years, over 37 per cent of the workforce will leave. There is a risk that this could create gaps in essential skills and experience ([see Part 3](#)).

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## Case study 2

### Glasgow City Council's early departure scheme in 2010 resulted in 2,607 staff leaving

Glasgow City Council ran an early departure scheme in 2010 targeted at all staff over the age of 50. The scheme excluded staff working in business-critical posts in education and social work services. A total of 2,607 individuals applied and all were accepted for departure. In one department, Land and Environmental Services, just over 23 per cent of the workforce (831 staff) applied to leave in the three years up to 2012/13. In some teams within the department, applications for early departure were equivalent to 40 per cent of the team workforce. Following a detailed review to determine what investment was needed to maintain services and flexibility, the department identified that it would bring in 452 staff. This was achieved by recruiting staff and redeploying them from elsewhere in the council.

Source: Audit Scotland

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**32.** Some public bodies are now targeting the recruitment of young people. Scottish Government and ONS official statistics show that, in the year to March 2013, the number of 16-24 year olds employed by 53 central government bodies on a full or part-time basis increased by 140, to 1,300. Overall, the percentage of young people in the workforces of these public bodies increased from 3.8 per cent to 3.9 per cent.<sup>19</sup>

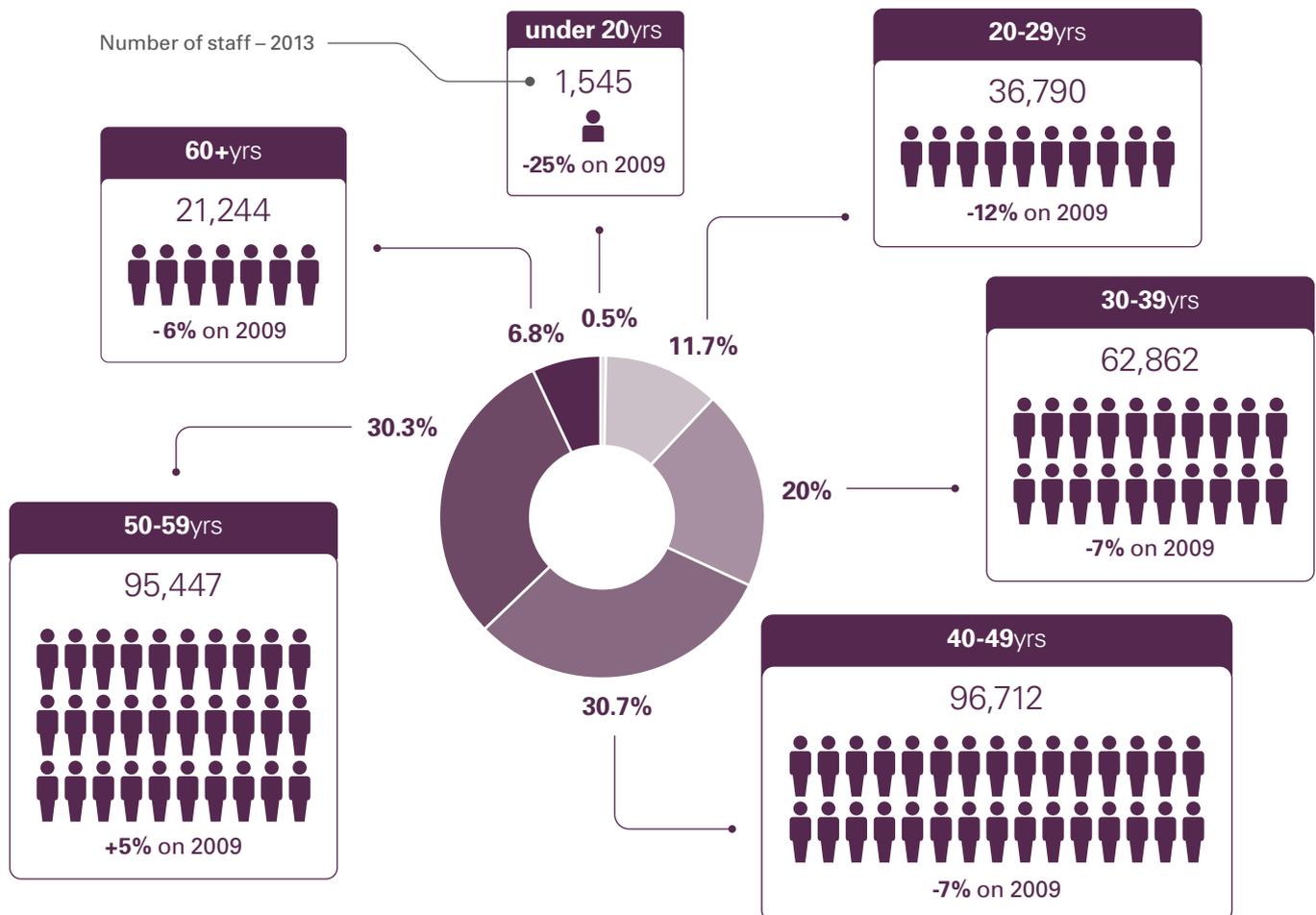
**33.** Identifying other changes in the make-up of the public sector workforce is made difficult by incomplete information on, for example, the ethnic origin of staff or the types of job that public sector staff do.<sup>20</sup> Our analysis of the available information shows that while there are differences across sectors, the gender profile of the workforce and type of employment have not changed significantly since 2009 ([Exhibit 5, page 18](#)).

**34.** The number of senior manager jobs and administrative posts has decreased in some parts of the public sector:

- The Scottish Government has a target to reduce senior manager costs by 25 per cent between April 2010 and 2015. It reported a reduction of 17 per cent by the end of March 2013.<sup>21</sup>
- The NHS set a target to reduce the number of senior managers by 25 per cent from April 2010 to April 2015. It reported a reduction of 23 per cent up to April 2013.<sup>22</sup>
- Councils have reduced the size of their management teams. We reported in *Responding to challenges and change: an overview of local government in Scotland* that by the end of 2012, 18 councils had four or fewer directors on their senior management team.<sup>23</sup>

**Exhibit 4****Changes in the public sector workforce, by age, 2009/10–2012/13**

The total number of staff in each age group decreased between 2009/10 and 2012/13 except in the 50-59 age group.



Note: Total WTE staff in 64 of the 80 survey bodies reduced from 329,000 in March 2009 to 314,600 in March 2013. Other bodies could not provide age breakdowns for both years.

Source: Audit Scotland

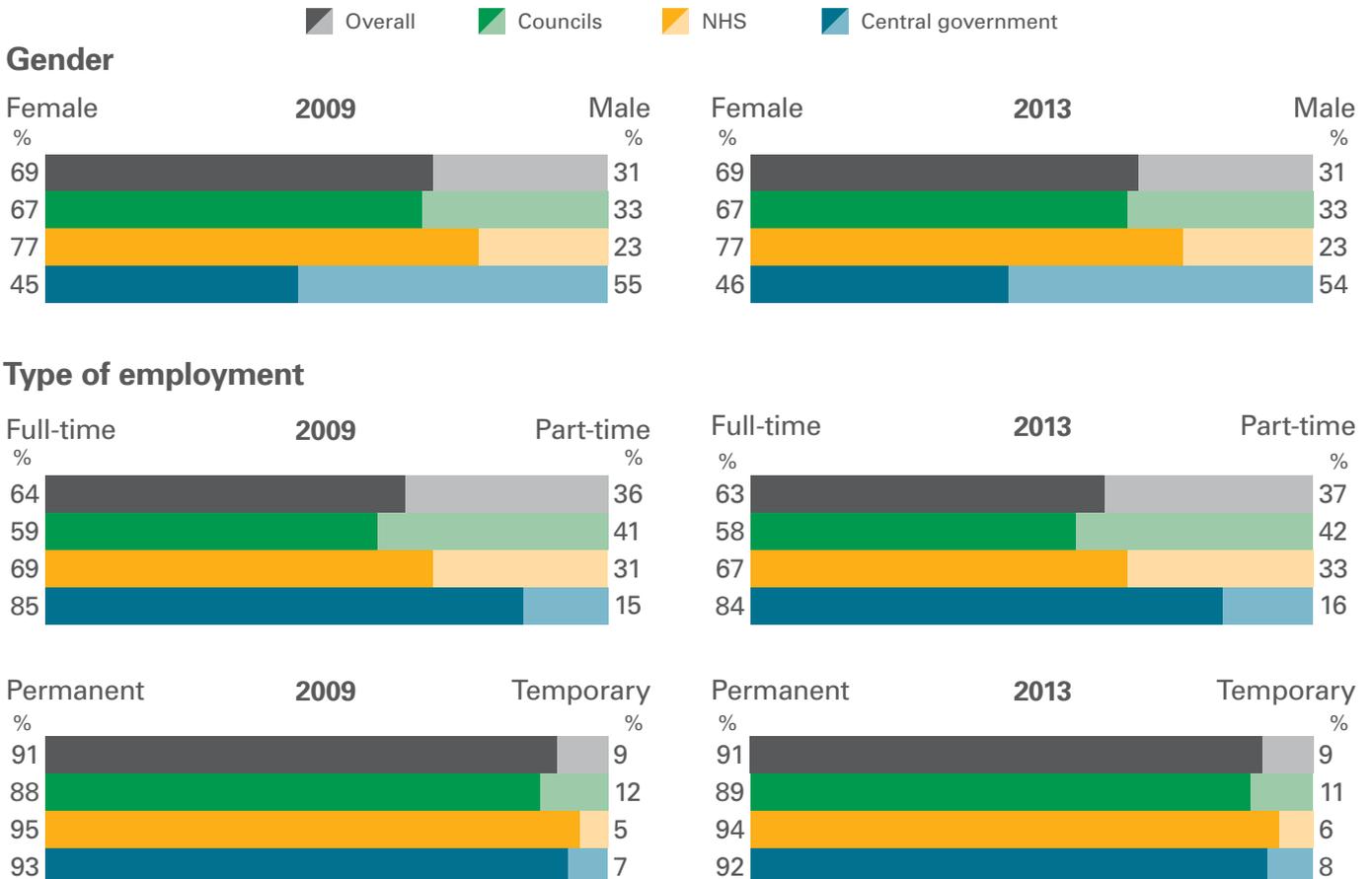


- In the Scottish Government and its agencies the number of first-tier management posts decreased by 10 per cent between 2009 and 2012.
- In the NHS, the percentage of administrative and support services staff employed decreased from 30.1 per cent in September 2009, to 28.6 per cent in March 2013.<sup>24</sup>
- In the Scottish Government and its agencies, the number of administrative grade posts reduced by more than eight per cent between 2009 and 2012.<sup>25</sup> We do not have equivalent information for councils or other central government bodies.

**35.** We do not have complete information for all types of staff employed in the public sector due to the variety of jobs that exist. Previous reports by Audit

## Exhibit 5

### Changes in the public sector workforce, 2009–13, by gender and type of employment



Source: Audit Scotland from survey data and other published data



Scotland have raised concerns about the loss of expertise amongst trading standards and planning staff in councils.<sup>26</sup> The number of teachers employed in Scotland decreased by three per cent, from 53,000 in 2009, to 51,410 in 2012. Pupil numbers also fell over the period. Overall, pupil to teacher ratios increased from 13.2 pupils to each teacher in 2009 to 13.4 in 2012.

**36.** NHS staffing varies across specialisms. For example, Information Services Division (ISD) data show the following:

- The number of NHS consultants rose from 4,250 to 4,532 WTE between September 2009 and March 2013. Demand has also increased resulting in vacancy rates decreasing from 3.8 per cent in September 2009 to 3.1 per cent in March 2010, before increasing to 4.3 per cent in March 2013.
- The same pattern is evident for nursing and midwifery staff. Overall, the number of nursing and midwifery staff in post fell by 1,392 WTE to just over 57,000 WTE over the period. Vacancies decreased between September 2009 and September 2010 from 2.5 per cent to 0.8 per cent, but increased to 2.7 per cent in March 2013. NHS spending on bank and agency nursing and midwifery staff had fallen from £106 million in 2009/10

to £90.5 million in 2010/11. This is now increasing again. In 2012/13, the NHS spent £110.6 million on bank and agency nursing and midwifery staff.

### Reported staff costs reduced by £1 billion (eight per cent) in real terms between 2009/10 and 2011/12. But public bodies are still meeting some of these costs

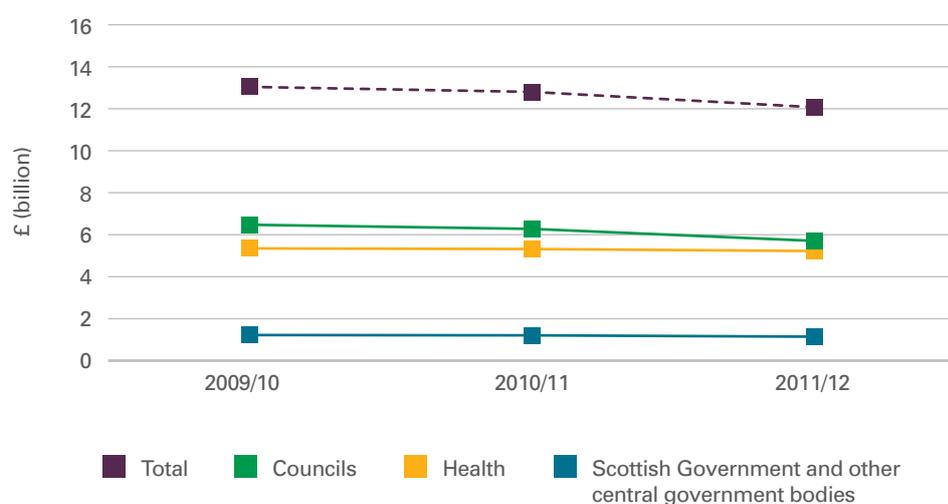
**37.** We estimate that councils, the NHS, the Scottish Government and other central government bodies spent at least £12.7 billion on staff costs in 2011/12. Staff costs decreased by £1 billion in real terms (eight per cent) over the three years from 2009/10.<sup>27</sup> Staff who transferred to arm's-length and other bodies may continue to be paid for by public money. As such, the reduction in staff costs is offset, in part, by additional service contract costs.<sup>28</sup>

**38.** Staff costs changed over the three years in each sector as follows ([Exhibit 6](#)):

- Councils reduced staff costs by £813 million (12 per cent) in real terms, to £6 billion in 2011/12. Over the same three-year period, council staff numbers decreased by nine per cent.
- The NHS reduced staff costs by £136 million (two per cent), to £5.5 billion in 2011/12 while NHS staff numbers reduced by three per cent.
- In the Scottish Government and other central government bodies staff costs decreased by around £83 million to at least £1.2 billion in 2011/12 (seven per cent). Our analysis for the sector is not complete. We estimate that the 66 bodies included in our analysis of staff costs represent approximately 85 per cent of the workforce in the Scottish Government and other central government bodies.

## Exhibit 6

Changes in staff costs, in real terms, 2009/10 to 2011/12



Note: Figures are adjusted to 2011/12 prices.

Source: Audit Scotland

**39.** Councils reduced staff costs for all service areas between 2009/10 and 2011/12. The extent of reduction varied across services. Education and social work staff costs reduced by seven and 11 per cent respectively; cultural and related services staff costs reduced by 19 per cent and central services staff costs reduced by 38 per cent.

### **It is difficult to get reliable cost information**

**40.** There is no single source of data for staff costs and we have drawn information from a range of sources to produce our estimates:

- The audited accounts for councils do not identify staff costs as a separate item. We used unaudited information from the local financial returns (LFRs) to provide trend information on employment costs. LFRs are the best source of comparative financial information currently available.<sup>29</sup>
- Our estimates of NHS staff costs are based on Scottish Government monitoring which is audited, reliable and collected consistently across the years.
- We reviewed the accounts of 66 central government bodies including, the Scottish Government. Where relevant, this included predecessor organisations. There are inconsistencies in what is included in staff costs in each body's accounts. For example, in some cases, board remuneration costs were listed separately but not in others. We have adjusted the figures, where possible, to try to ensure consistency.

**41.** The staff costs reported in bodies' annual accounts include the cost of early departure payments. We estimate that, since 2009/10, councils, the NHS, the Scottish Government and other central government bodies incurred costs of at least £663 million for those leaving as part of an early departure scheme. So, the actual reduction in staff costs from 2009/10 to 2011/12 may be more than £1 billion.

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## **Recommendation**

**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.
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# Part 2

## Implementing workforce changes



### Key messages

- 1 The 80 survey bodies had 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.
- 2 Eight fieldwork bodies had used an early departure scheme but none had fully tested their schemes before using them. Fieldwork bodies followed appropriate approval processes for significant workforce changes but they did not routinely collect information on the costs and savings of the approaches they were taking.
- 3 The nine fieldwork bodies worked closely with staff and unions on proposed workforce changes and are monitoring the effect on staff. They generally rely on existing systems to measure the effects on staff and on how services are performing.

42. This part of our report includes examples of practice from our nine fieldwork sites. We chose these to provide a mix of views and experiences. We recognise that there may be other good practice examples at locations where we did not carry out detailed work.

### Fieldwork bodies planned changes to their workforces at service or departmental level. NHS bodies had also produced organisation-wide plans

43. We assessed the workforce planning approaches used at our nine fieldwork sites against good practice to find out the following:<sup>30</sup>

- Did fieldwork bodies link workforce requirements with corporate objectives, financial planning and service delivery plans? When they did this, did they consider possible changes in policy, budgets, demand and the future supply of the workforce?
- Did each organisation identify:
  - the skills and capabilities needed to deliver its priorities now and in future?
  - skills gaps?
  - areas where staff had skills that were no longer required and offered opportunities for redeployment or savings?

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our fieldwork bodies made the changes needed to their workforces to achieve their business and financial objectives

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### Fieldwork bodies used service-level workforce planning to deliver their organisational objectives. NHS bodies had also produced organisation-wide workforce plans

**44.** Preparing a workforce plan for the whole organisation helps strategic planning by identifying opportunities for redeploying people and providing an opportunity for more joined-up planning across service areas or departments. Without an organisation-wide plan there is a risk that:

- changes to how an organisation delivers services in one area may have unplanned or unintended effects on other services
- management teams cannot manage workforce changes to ensure that the organisation is making best use of its staff resources to achieve its objectives.

**45.** We found that all nine fieldwork bodies linked their workforce requirements to organisational objectives, financial plans, and service delivery. NHS bodies had also produced detailed organisation-wide workforce plans, in line with a specific Scottish Government requirement to produce these annually.

**46.** All of the fieldwork bodies had planned their workforces well at a service level, with the details included in individual service or departmental plans.<sup>31</sup> These plans set out the bodies' aims and intentions for the service, typically over 3-5 years. We reviewed examples of service level plans at the fieldwork sites and found that they contained:

- a clear rationale for making changes that linked to organisational objectives
- details on what changes they would make in how they deliver services
- an outline of the services' current resources, for example budget and staff
- details on how the workforce should change to deliver redesigned services.

**47.** There may be reasons why organisations plan at a service or departmental level. For example, councils deliver a wide range of services. Some have large workforces, including specialist staff who are unlikely to be redeployed to a job outside their main area of expertise. Where public bodies use service level planning, they need to consider the risks of not preparing organisation-wide workforce plans, and take action to mitigate them.

**48.** Where public bodies choose to use service or departmental plans rather than organisation-wide plans, good practice suggests that their individual plans should have a similar structure and level of detail, so that they can be compared and subject to central analysis and scrutiny. Our review of the 22 NHS organisation-wide workforce plans found they did not have a consistent structure or content. This makes it difficult for the Scottish Government Health and Social Care Directorate (SGHSCD) to develop a view of the NHS's workforce needs across Scotland. The SGHSCD is currently consulting with boards about ways to improve and speed up the development of plans. We did not review enough individual service plans at fieldwork sites to form a view on the extent to which they had similar structures.

**49.** From our fieldwork, we identified that all three NHS bodies and two councils were using existing tools and good practice approaches to develop their workforce plans. NHS bodies follow the SGHSCD 'Six steps methodology to integrated workforce planning' guidance. Aberdeenshire Council developed an electronic workforce planning toolkit with support from the Improvement Service. It allows public bodies to use scenario planning to help develop long-term plans for new or restructured services. Twenty-nine Scottish councils requested and received an electronic copy of the toolkit. The council and the Improvement Service report that it has been used by at least eight other councils including South Lanarkshire, which used it to review some of its services.<sup>32</sup>

### **Fieldwork bodies had identified their skills needs and started responding to potential skills gaps**

**50.** We found evidence that all nine fieldwork bodies had identified the mix of skills needed to deliver services over the next few years. They had also taken action to respond to potential skills gaps at individual service level. The Scottish Government published its draft capability plan in January 2013. This identified additional skills that staff will need over the next few years, such as in tax policy, administration and digital and social media.

**51.** We also found good examples of organisations working with education providers to reduce skills gaps. For example, between 2009 and 2013, SEPA worked with the Universities of Stirling and Dundee to train specialists in flood risk management. This was to help meet new EU directives that led to the Flood Risk Management (Scotland) Act 2009. The new legislation increased demand for specialists Europe-wide and not enough were available in Scotland. SEPA resolved this shortage by developing a trainee programme with the universities. This allowed recruits to develop their skills through both work and part-time study, thereby filling the skills gap.

### **Public bodies used a range of approaches to manage workforce numbers and control costs**

**52.** The public bodies we reviewed used different approaches to help manage staff numbers and costs between 2009/10 and 2012/13 ([Exhibit 7, page 24](#)).

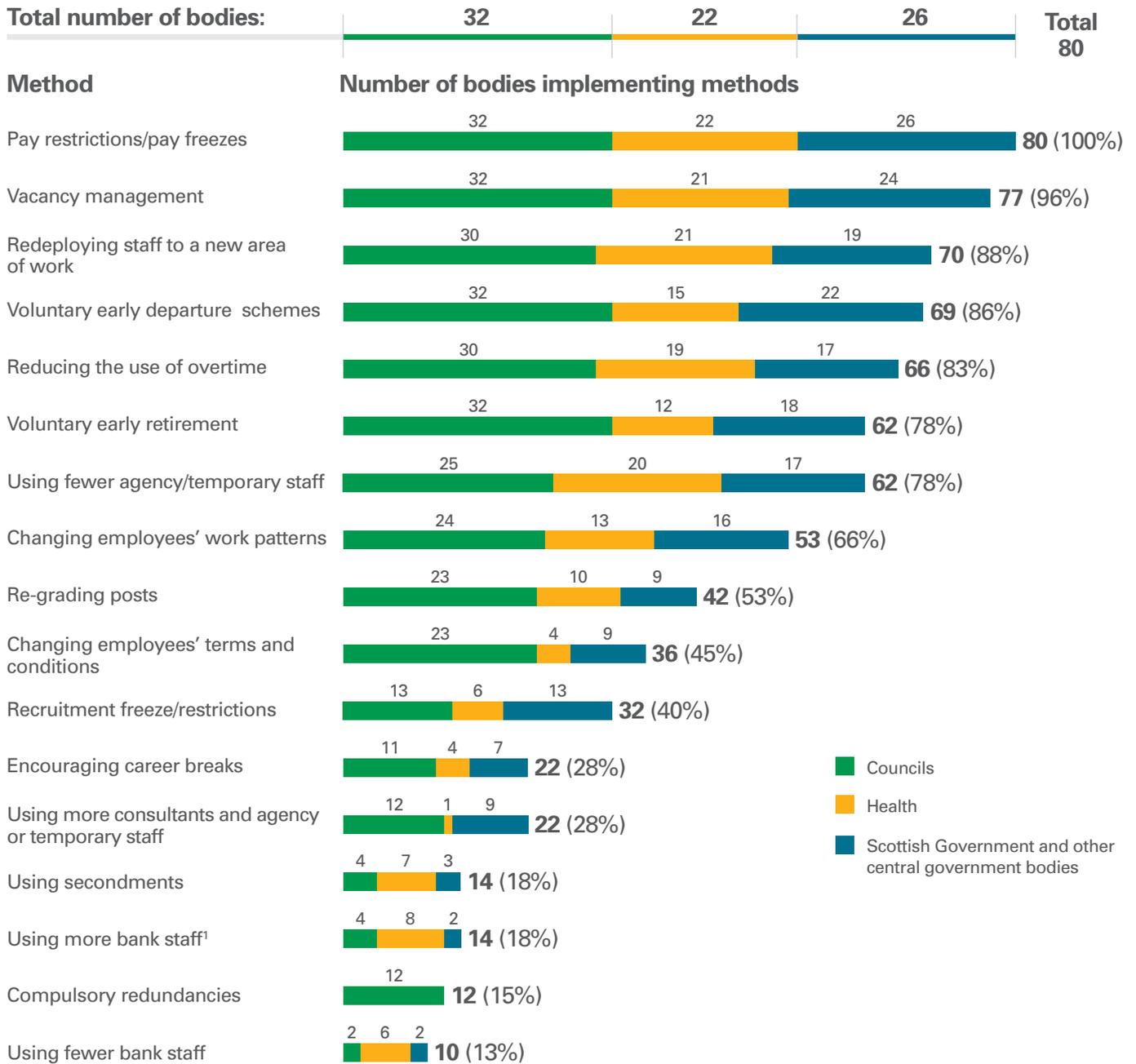
**53.** All 80 of the public bodies we surveyed set limits on pay increases to manage their staff costs. As part of the Scottish budget considerations in 2011/12 and 2012/13, Scottish ministers introduced a pay freeze for all staff at the top of their pay scale in the Scottish Government, its agencies and non-departmental public bodies.<sup>33</sup> The policy was also adopted by the NHS in Scotland and some councils. Public bodies adopting the policy did not give inflationary pay increases to staff, although staff costs did increase for other reasons, such as pay progression. The Independent Budget Review Panel estimated that pay restrictions across the public sector avoided additional staff costs of £240 million in 2011/12, rising to a total of £570 million by 2012/13.<sup>34</sup>

**54.** Seventy-seven of 80 public bodies used vacancy management to reduce staff numbers and costs. This is when an organisation fills only vacant posts that are business-critical. NHS Lanarkshire used a mixture of vacancy management and recruiting, redeploying and retraining staff to alter the skills mix within the allied health professionals (AHP) service. The overall number of AHP staff decreased by only two (from just over 800 WTE) but by changing the grade mix, NHS Lanarkshire reported a saving of £1.5 million between 2010/11 and 2012/13.

### Exhibit 7

#### Methods used by public bodies to manage workforce numbers and costs 2009/10–2012/13

Bodies used a variety of methods to manage workforce numbers and costs.



Note 1: The NHS employs bank staff to help manage the need for additional staffing hours cost-effectively and safely. NHS boards can also contract nursing staff through agencies, but this is more expensive.

Source: Audit Scotland



**55.** Seventy public bodies redeployed staff to alternative posts, if the post they occupied was no longer needed. South Lanarkshire Council reviewed its customer contact service with a view to making savings. It implemented a programme to increase telephone and web-based contact, and was able to merge five call centres into two. It moved surplus call centre staff to other duties, retraining

some, for example, to provide advice to customers who visit council offices. South Lanarkshire Council estimates this redesign saved £400,000 in 2011/12.

**56.** Sixty-six public bodies restricted the use of overtime by either stopping it or limiting overtime that managers could authorise or staff could claim.

**57.** Sixty-two public bodies used voluntary early retirement schemes. These are broadly similar to early departure schemes but tailored to staff approaching retirement age.

**58.** Sixty-two public bodies used fewer agency and temporary staff by either stopping the practice or limiting when staff could be recruited temporarily.

**59.** Fifty-three public bodies changed employees' work patterns, for example by allowing staff to work from home; offering flexible hours or locations; or both of these. Glasgow City Council's Land and Environmental Services department negotiated a change from a standard five-day working pattern to a four-on/four-off pattern. This allowed the department to manage its staff resources more effectively and to make better use of its assets, such as vehicles and equipment. Aberdeenshire Council introduced a 'Worksmart' programme, which uses new technology to allow staff to work flexibly, at home or at other council locations.

**60.** Councils were more likely to re-grade staff posts and negotiate changes to employees' terms and conditions than the NHS, the Scottish Government or other central government bodies. This may be due, in part, to pay protection for some NHS and central government staff which may be time-limited or for life. Central government bodies' pay protection is usually time-limited. However, some NHS employees have lifetime pay protection. This means that if an NHS employee with lifetime pay protection is transferred to another NHS position on a lower grade, they will keep their higher pay, including entitlement to bonuses and overtime payments, until they leave, or pay progression erodes the difference, or the NHS body can negotiate a change.<sup>35</sup>

**61.** Twelve councils have used compulsory redundancy. Some have introduced 'no-compulsory-redundancy' policies, sometimes with associated conditions. For example, Scottish Borders Council has adopted a no-compulsory-redundancy policy in return for union and staff agreement to suspend pay progression.

**62.** Sixty-nine public bodies, including eight of our fieldwork bodies, used voluntary early departure schemes to reduce staff numbers and costs between 2009/10 and 2012/13.<sup>36</sup> This includes voluntary redundancy and voluntary early release schemes that allow staff to leave employment before retirement age, with a compensatory payment paid, at least in part, by their employer. The early departure schemes developed differ among bodies reflecting different terms and conditions and pension packages as well as the differing objectives set for each departure scheme ([Exhibit 8, page 26](#)).

**63.** The Scottish Government requires its directorates, agencies and NHS bodies to use early departure schemes that are in line with the Civil Service Compensation Scheme or the NHS's Agenda for Change pay, terms and conditions programme. There are advantages in using established schemes, as they can be introduced without lengthy negotiation and all staff are treated the same. However, the fixed nature of these schemes means that the NHS and some central government bodies cannot alter the terms for departures.

**Exhibit 8****Examples of early departure schemes terms and conditions<sup>1</sup>**

	Entitlement for each year of service including the maximum	Pension arrangements	Typical max payback period <sup>2</sup>
<b>NHS</b>	 Four weeks' pay for each full year of service up to a maximum of 104 weeks.	Staff at minimum pension age can take their pension early with no reduction to benefits. Staff will surrender some redundancy payment (age dependent), to meet the costs of receiving their pension early. No additional years will be added.	
<b>Civil Service Compensation Scheme</b>	 Four weeks' pay for each year of service up to a maximum of 84 weeks.	Staff at minimum pension age can opt for early retirement but will be asked to surrender some of their redundancy payment to meet the cost of receiving their pension early. No additional years will be added.	
<b>Skills Development Scotland<sup>3</sup></b>	 Under 40s: 4 weeks' pay for each year of service up to a maximum of 104 weeks. 40+: 8 weeks' pay for each year of service up to a maximum of 104 weeks.	Staff eligible for early retirement will receive statutory redundancy pay (based on age and length of service) and access to unreduced pension. No additional years will be added.	
<b>Stirling Council</b>	 The number of weeks' pay that would be taken into account for statutory redundancy, multiplied by 2.2, up to a maximum of 66 weeks. <sup>4</sup>	Up to 10 years may be added to pension entitlement but payback must be within 2 years.	
<b>Glasgow City Council</b>	 A total of 0.5 – 66 weeks' pay depending on age and number of years' service. Other variations may also be taken into account such as working patterns, bonuses and shift working.	Between 4 and 6.6 years may be added to pension entitlement. This may be reduced for staff with less than 5 years' service.	

**Notes:**

1. This simplifies the arrangements and benefits provided. Schemes have restrictions for some employees, for example those with less than two years' service. We have standardised 1 month to 4 weeks for consistency.
2. Period within which costs are to be recovered. The payback period is the time after which the body will expect to start saving money when someone leaves through an early departure scheme. In some schemes, an average payback period for all departures within the scheme is used instead of assessing each individual application.
3. Skills Development Scotland (SDS) was created in 2008 by merging some staff from five predecessor bodies (including the two arms of Careers Scotland which existed within Highlands and Islands Enterprise and Scottish Enterprise). The design of SDS's early departure scheme was influenced by the schemes of its predecessor bodies, although on less favourable terms than those operated in the preceding three years.
4. Statutory redundancy is based on an employee's age and length of employment. Employees receive 0.5 week's pay for each year of employment if they are aged under 22, 1 week's pay if they are aged between 22 and 41, and 1.5 weeks' pay if they are aged 41 over. Other conditions also apply.

Source: Audit Scotland

**64.** Public bodies may choose to use inbuilt discretions within standard schemes. For example, the Scottish Government and its agencies can apply to the Cabinet Office for permission to alter the usual tariff of four weeks' pay for each year of service. Some public bodies, including the City of Edinburgh Council, decided that an offer of 1.5 weeks' pay for each year of service would be enough to help achieve the workforce reductions they needed.

**65.** Not all of the workforce planning approaches that public bodies use are focused on reducing staff numbers. Some public bodies have faced difficulties in recruiting for posts due to competition from other employers, or their location, and have had to try different approaches. For example, both Aberdeen City and Aberdeenshire councils have used alternative approaches when recruiting teachers. In July 2013, Aberdeen City Council agreed to offer an incentive payment to encourage applicants from outside the city to apply for vacancies, to make up a shortfall of around 40 teachers. Aberdeenshire Council instigated a programme to recruit teachers from Canada and Ireland. On previous occasions, Aberdeenshire Council advertised posts and received no applicants, but their 2013 recruitment campaign resulted in 85 applications for the 52 posts advertised. The council appointed 13 overseas staff who started work in August 2013; another 17 overseas teachers will start before the end of 2013.

**66.** By using a mix of approaches, the nine fieldwork bodies had made the workforce changes needed to achieve their business and financial objectives. It is important that bodies understand how these approaches work together. None of the fieldwork bodies had evaluated the relative effectiveness of their approaches.

#### **Fieldwork bodies implemented their early departure schemes effectively but did not fully test them before using them**

**67.** Public bodies using early departure schemes incur upfront costs, with savings spread over the following years. It is important that schemes attract enough interest to achieve the savings necessary, while remaining affordable. We found that, before introducing schemes, none of the public bodies we reviewed had fully tested them, by modelling different terms and conditions of their schemes or different levels of uptake by staff. Without doing this, bodies cannot be sure that their schemes are affordable, provide value for money and will generate the required level of savings. Bodies had not sought input from other public bodies on their experiences of running schemes with different terms and conditions.

**68.** All the early departure schemes that eight of the nine fieldwork bodies used had a payback period against which bodies assessed applications. Organisations use these to test the value for money of proposals and work out if they can recover costs from the expected savings within a specified timeframe. Where staff who apply qualify for high compensatory payments, this could reduce their likelihood of meeting the body's payback criteria. This is because it will take longer to recover costs and make savings. If this is the case, public bodies may have to reject these applications. It is important that bodies consider carefully the value for money of their schemes and make consistent decisions when assessing applications.

**69.** We found that the eight fieldwork bodies had implemented their departure schemes effectively. For example:

- They had set out details of their schemes clearly and offered support to staff throughout the process.

- They managed who could leave and when. The Scottish Government used an open early departure scheme, where any member of staff could apply, but employed strict, well-defined criteria to ensure that staff with key skills did not leave. In 2011/12, the Scottish Government's voluntary exit panel considered 450 applications and turned down 13 ([Case study 3](#)). Glasgow City Council's scheme targeted those aged 50 years or over. The council controlled when staff could leave, agreeing departure dates over the three-year period after an application was accepted.
- They used other workforce approaches along with, or instead of, early departure schemes. For example:
  - Some redeployed staff to vacant posts or posts vacated by people who had accepted an early departure.
  - South Lanarkshire Council and the Scottish Government took the opportunity to redesign and re-evaluate jobs and regrade posts freed up by departures, restructuring the workforce where possible.
  - Some public bodies made early departure schemes available to staff they had been unable to redeploy, to prevent them remaining on the redeployment register for a long period. For example, NHS Lanarkshire offered voluntary departure packages to staff if there were limited opportunities for them to be redeployed due to, for example, a lack of posts at their grade.
  - The Scottish Ambulance Service promoted opportunities for staff to transfer to the A&E service, when it redesigned its Patient Transport Service.

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### Case study 3: Good practice example

#### The Scottish Government's early departure scheme

The scheme evaluates individual applications for early departure against various criteria that help decide if an application may be accepted or rejected.

#### Criteria

The individual's post will be deleted under reorganisation or restructuring.

The individual's departure helps meet the directorate's plan to reduce headcount and is part of an active reorganisation or restructuring programme.

The applicant is on the redeployment list, or about to be added to the list; and their skill set or location suggests that opportunities for another posting are very limited, or they are likely to need skill development before being posted.

Releasing the individual provides an opportunity for reorganisation or restructuring resulting in business and cost efficiencies. (If the vacated post needs to be filled, it should be as a lower grade and filled internally.)

External recruitment will be needed because of the location of the post or the specialist nature of the post.

The post is business-critical at present; that is, the post cannot be left vacant and there is no available immediate successor.

The applicant's skill set has to be retained.

### **Only the Scottish Government formally documented how it appraised options to manage workforce numbers and costs**

**70.** All nine fieldwork bodies reported that they developed their workforce management approaches by considering, or appraising, a range of options to control staff numbers and reduce costs. They selected those they thought would be most effective and acceptable, and discussed them with unions, staff groups, boards and elected members. However, only the Scottish Government had formally documented its option appraisal. In 2010, its Resources Committee considered over 20 options and ruled out four (for example, introducing new contracts of employment). It then adopted the other 16 to varying degrees. Other public bodies reported weighing and discussing their options but not all documented their decisions.

### **Fieldwork bodies followed appropriate processes for approving significant workforce changes**

**71.** The nine bodies we reviewed followed appropriate governance arrangements by asking their boards and elected members to approve significant workforce reshaping proposals, including their early departure schemes.

**72.** Boards, elected members and the Cabinet Office (for the Scottish Government and its agencies) were asked to approve the use of funding for early departure schemes.<sup>37</sup> Approval was sought based on broad assumptions about the likely numbers departing and associated costs. For example, the Scottish Government requested Cabinet Office approval to run an early departure scheme in 2012/13. The Scottish Government had identified that, to help balance its budget for the year, it would need to reduce staff numbers by 300 WTE. It sought permission from the Cabinet Secretary for Finance, Employment and Sustainable Growth to spend up to £12 million, to cover the estimated costs of the 300 WTE departures, if this number of staff came forward. After the assessment process, the Scottish Government agreed 148 WTE staff departures in 2012/13, at a cost of £6.8 million.

### **Fieldwork bodies did not routinely collect information on the costs and savings of their workforce change programmes**

**73.** Public bodies should monitor the costs and savings from their workforce programmes. This provides assurance that they are achieving value for money and that they will achieve the overall savings required. They should also report these to boards and elected members. Our principles of good practice on early departure schemes state that all bodies should publicly report the costs of their early departure schemes and the savings these generate.<sup>38</sup>

**74.** The nine fieldwork bodies we reviewed provided reports to boards and councils on the number of staff applying for early departures and on the overall effect of significant changes in the workforce. But not all public bodies were routinely collecting information on the savings they made from wider changes to the workforce, or the costs of these.

**75.** All NHS bodies separately identify savings from workforce changes and report these to their boards and the Scottish Government Health and Social Care Directorate (SGHSCD). Glasgow City Council also reported overall costs and savings to its elected members. We found that the five other fieldwork bodies monitored the impact of their workforce programmes

through departmental and service budgets but they did not separately identify workforce savings.

**76.** In our survey, six of the 57 public bodies which ran an early departure scheme in 2012/13 were unable to provide information on the savings they expected from the scheme. One could not separately identify costs.

**77.** For the eight fieldwork bodies with an early departure scheme, reported costs ranged from £27,000 to £69,600 for each person, each year. Savings among these bodies ranged from £3,650 to £40,850 for each person, each year. The greatest variation was in the costs and savings reported by the three central government bodies ([Exhibit 9](#)).

## Exhibit 9

Examples of costs and savings from early departure schemes at seven fieldwork sites

Highest and lowest average costs and savings for each departure in fieldwork bodies between 2009/10 and 2012/13, by sector			
	Councils	NHS	Central government
<b>Average cost per head (lowest - highest)</b>	£36,100 - £59,900	£34,850 - £64,400	£27,000 - £69,600
<b>Average yearly saving per head (lowest - highest)</b>	£15,950 - £34,950	£20,550 - £39,150	£3,650 - £40,850

Note: The exhibit excludes Aberdeenshire Council, which did not provide costs and savings information, and the Scottish Ambulance Service, which has not run an early departure scheme.

Source: Audit Scotland

**78.** The work involved in developing detailed workforce reshaping programmes can be significant. The time spent by staff may not always be recorded as a direct cost. It is important that organisations understand the likely costs (and savings) of their programmes. Public bodies should at least recognise that:

- major changes are likely to have development and implementation costs, such as administering the scheme and recruiting, redeploying and training people.
- these costs will be higher if changes involve large numbers of staff.

Only one fieldwork body – the Scottish Court Service (SCS) – had measured the administrative cost of running its scheme. SCS estimates that it cost £79,000 of direct staff time to administer its early departure scheme for the 96 staff who left. Our reports, *Learning the lessons of public body mergers*

and *Managing early departures*, provide guidance on measuring workforce costs and savings and, specifically, how to calculate the cost of early departure schemes.<sup>39</sup>

### **Fieldwork bodies worked with staff and unions when developing workforce changes and are monitoring the effect on staff wellbeing**

**79.** We found evidence in all nine fieldwork bodies that they had worked with staff and unions on plans to reshape their workforces. Employee representatives sit on NHS boards and, in all three sectors, unions were consulted about proposed workforce changes. Bodies communicated regularly with staff about proposals for workforce changes and kept them informed about plans. For example, NHS Forth Valley involved staff in working groups that helped develop the board's proposals.

**80.** Fieldwork bodies were using existing measures to monitor the impact of workforce changes on staff wellbeing. For example:

- using staff surveys and employee audits to track staff morale and staff satisfaction
- using indirect measures of staff wellbeing, such as sickness absence data, and stress counselling services, to help identify if changes could adversely affect the workforce. The Scottish Government monitors the amount of flexitime that staff build up and are not taking, and the take-up of annual leave by staff.

**81.** There is some anecdotal evidence that workloads are increasing. For example, respondents to Glasgow City Council's 2012 staff survey expressed concerns that workforce changes had reduced resources and increased workloads. It is important that bodies adapt and continue to use systems to monitor staff wellbeing.

### **Fieldwork bodies were generally using existing systems to measure the effect of workforce changes on service performance**

**82.** The nine bodies we reviewed generally relied on existing systems to monitor the effects of workforce changes on performance. It is important that, when planning significant changes, such as when councils implement the new welfare benefits changes, bodies put in place appropriate measures and systems to monitor the effect on performance. When NHS Forth Valley restructured its Acute and Urgent Care services in 2009, it monitored performance more closely so that it could quickly identify any service deterioration.

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## **Recommendations**

**Where they have not already done so, councils, the NHS, the Scottish Government and other 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

- use established good practice approaches, such as the NHS 'six steps' method and the Aberdeenshire Council toolkit, to help plan workforces and develop consistent workforce plans
  - ensure they have set clear objectives for their workforce change programmes; including considering possible consequences, such as the need for recruitment, retraining or regrading posts; and cost and plan for these
  - learn from previous experience; by consulting others when developing early departure schemes for the first time, or by evaluating the effectiveness of their own schemes
  - 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
  - develop and adapt existing mechanisms to monitor the impact of workforce programmes on staff wellbeing by, for example, adding questions to staff surveys or changing the timing of staff surveys
  - when redesigning services, consider how this could affect the services they delivery and put measures in place to monitor this.
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# Part 3

## Planning for future workforce changes



### Key messages

- 1 Public sector finances will be under pressure for the foreseeable future, as budgets decrease and the ageing population increases demand for many public services. Budgets are expected to decrease by a further £57 million in real terms by 2015/16. There is variation between sectors – councils' funding will reduce by £281 million up to 2015/16, while NHS and central government budgets will increase by £101 million and £123 million respectively.
- 2 At the time we completed our work, only 58 of 80 surveyed bodies were able to predict workforce numbers and costs for 2014/15. These bodies expect staff numbers to fall by 3,122 WTE up to 2014/15. Overall costs are expected to rise by £209 million, in cash terms, as public bodies implement inflationary and other pay increases.
- 3 Given the challenges ahead, public bodies, and especially councils, 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 which could help deliver some of the change needed.

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public bodies should continue to review workforces. They will also need to find new ways to make savings

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### Public sector finances will continue to be under pressure for the foreseeable future

**83.** We estimate that funding for the Scottish Government, other central government bodies, the NHS and councils (including council tax and non-domestic rate payments) will reduce by £57 million (0.2 per cent) in real terms to £26.6 billion by 2015/16. There is variation across the sectors. We estimate that:

- council income from revenue grants from the Scottish Government, council taxes and non-domestic rates will reduce by £281 million (two per cent) in real terms
- the NHS's revenue budget allocation will increase by £101 million (one per cent) in real terms
- the central government sector's revenue budget will increase by £123 million (three per cent) in real terms.<sup>40</sup> These changes are shown in [Exhibit 1 \(page 6\)](#).

**84.** Councils also collect income from other sources; such as service fees, charges and housing rents. Councils raised £5.6 billion from these in 2011/12.<sup>41</sup> Councils will need to increase their income from other sources by five per cent over the three years from 2013/14 to 2015/16 to make up the reduction of £281 million in Scottish Government grants, council taxes and non-domestic rates.

**85.** Beyond 2015/16 the situation is likely to become even more challenging. In August 2013, the Centre for Public Policy for Regions (CPPR) estimated that the Scottish resource budget will be £2.7 billion lower in real terms by 2017/18.<sup>42</sup>

**86.** The public sector also faces significant challenges due to demographic changes. As birth rates decline and people live longer, the number of older people is growing both in absolute terms and as a proportion of the population. Between 2009 and 2012, the number of people living in Scotland aged 65 years and over increased to 925,750. The percentage of people aged over 65 is projected to increase from 17 per cent of the population in 2012 to 25 per cent by 2035.<sup>43</sup> This trend is likely to continue for the foreseeable future and it will result in increased demand for health and social care and for pensions and benefits. It will place further pressure on public finances and services.

**87.** Our previous report on *Scotland's public finances* noted that public bodies faced financial pressures from capital investment programmes, backlogs of maintenance and repairs, and environmental pressures arising from increased energy costs and emission targets. All these pressures continue to apply.<sup>44</sup>

### **Only 58 of 80 public bodies were able to forecast workforce numbers and costs for 2014/15**

**88.** We used our survey to collect details from public bodies on their expected staff numbers and costs in 2014/15. Not all were able to provide this information. Fieldwork bodies cited uncertainties about future budgets at service level, pay deals and new responsibilities as factors that make longer-term financial planning difficult. Our analysis of survey responses shows:

- Seventeen of the 32 councils forecast staff numbers and costs up to 2014/15. Twelve had forecast their staff costs only, and three could not forecast staff costs or staff numbers for 2014/15. We did not collect information from all councils on why they were unable to provide this information. Some were in the process of preparing these estimates and some reported that they could not make further progress until they had finalised budgets.
- Nineteen of the 22 NHS bodies provided both staff number and cost estimates up to 2014/15. One provided details of staff numbers only and two NHS bodies provided neither. NHS bodies prepare their staffing projections annually and send these to the Scottish Government Health and Social Care Directorate, which publishes the details every August.
- Twenty-two of the 26 central government bodies surveyed provided both staff numbers and staff cost estimates up to 2014/15. Two bodies had forecast their staff costs only. Two had forecast staff numbers only. Creative Scotland reported that its costs will be finalised once an agreement is reached on pay harmonisation for staff transferred to the organisation.

### Overall, the 58 public bodies expect staff numbers to fall up to 2014/15, but net costs to rise

**89.** The 58 public bodies that forecast staff numbers and costs up to 2014/15 planned to reduce the workforce by a further 3,122 WTE. However, they expected their staff costs to rise over the two years, by £209 million in cash terms. There is variation between, and within, sectors ([Exhibit 10](#)):

- In addition to the reductions they had already made up to March 2013, 16 councils forecast that their staff numbers would fall over the next two years by almost 3,700 WTE overall (a three per cent fall compared with the number employed in 2012/13). Aberdeenshire Council forecast no change in its staff numbers. Despite reducing the size of their workforces, these 17 councils forecast that staff costs would increase by £24 million (one per cent).
- Nineteen NHS bodies forecast that staff numbers would increase overall by 327 WTE, and net staff costs would increase by £159 million (four per cent). Healthcare Improvement Scotland expects to make the biggest relative increase in its workforce; it will employ 30 extra staff (11 per cent more than the current workforce) by 2014/15, to help deliver new responsibilities. Overall, it expects staff costs to increase by £2 million (19 per cent). NHS Health Scotland is the only NHS body expecting costs to fall; it expects staff numbers to remain unchanged over the two years with costs decreasing by £31,000 (0.3 per cent).
- Twenty-two central government bodies forecast staff numbers would increase by just under 250 WTE (one per cent) but net costs would increase by £27 million (four per cent). Loch Lomond and Trossachs National Park Authority expects no significant change in the number of WTE posts over the two years, but forecasts a reduction in staff costs of 11 per cent. Scottish Enterprise will increase staff numbers by 28 WTE posts (three per cent) and forecasts overall staff costs will increase by £3 million (six per cent).

## Exhibit 10

### Forecast change in staff numbers and costs between 2012/13 and 2014/15

Councils expect to reduce staff numbers although, in all three sectors, staff costs are expected to rise.

	Numbers (WTE)	Per cent change from 2012/13 (WTE)	Staff costs (£)	Per cent change from 2012/13 (£)
17 councils <sup>1</sup>	- 3,698	- 2.9 per cent	+ £24 million	+ 0.6 per cent
19 NHS boards	+ 327	+ 0.3 per cent	+ £159 million	+ 3.7 per cent
22 central government bodies	+ 249	+ 1.2 per cent	+ £27 million	+ 3.8 per cent
<b>Overall net change</b>	<b>- 3,122</b>	<b>- 1.2 per cent</b>	<b>+ £209 million</b>	<b>+ 2.2 per cent</b>

Note 1: Fife Council transferred staff to the Scottish Police Authority and the Scottish Fire and Rescue Service in April 2013. We have excluded these transfers from the figures quoted to be consistent with data from other councils.

Source: Audit Scotland

**90.** Overall, nine councils, 18 NHS and 18 central government bodies expected staff costs to rise by 2014/15, while eight councils, one NHS and four central government bodies expected costs to fall. [Report supplement 2 \(PDF\)](#)  shows the forecast change in staff costs between 2012/13 and 2014/15 for all survey bodies.

### Staff costs are likely to increase

**91.** In the absence of other data, we used our survey to gather information on estimated staff costs for 2012/13 and to forecast staff costs for 2013/14 and 2014/15. Public bodies expect staff costs to increase due to a combination of pay increases, pay progression and as they continue to implement the Scottish Government's living wage and settle equal pay claims. Assuming no change in the number or structure of workforces from the 2012/13 position, we estimate that total staff costs for our 80 survey bodies will be £13.8 billion in 2014/15.<sup>45</sup> This is an increase of £433 million (three per cent) from 2012/13. This figure is in cash prices taking into account inflationary and other staff cost increases ([Exhibit 11](#)).

## Exhibit 11

### Estimated staff costs changes, if workforce size and structure remain unchanged

Public bodies expect staff costs to rise.

Estimated staff costs at 2014/15 (cash prices)				
	Councils	NHS	Central government bodies	Total
Staff costs 2012/13 <sup>1</sup>	£6,826 million <sup>2</sup>	£5,547 million	£972 million <sup>3</sup>	£13,345 million
<b>Per cent increase (2013/14 - 2014/15) due to:</b>				
• pay progression	0.55 per cent	0.99 per cent	3.82 per cent	<b>£130 million</b>
• inflation	2.26 per cent	2.02 per cent	1.63 per cent	<b>£283 million</b>
• living wage	0.25 per cent	0.05 per cent	0.01 per cent	<b>£20 million</b>
<b>Estimated increase</b>	<b>£210 million</b>	<b>£170 million</b>	<b>£53 million</b>	<b>£433 million</b>

#### Notes:

- 2012/13 figures as reported by public bodies (not audited). Where data not provided for 2012/13, we have estimated based on 2011/12 staff costs.
- 2012/13 council staff cost figures are drawn from bodies' own estimates and may not be comparable with the LFR data used to estimate council staff costs in Part 1 of the report.
- Based on 26 central government bodies. Cannot be compared with the data for central government staff costs in Part 1 which was based on the accounts of 66 public bodies.

Source: Audit Scotland

**92.** The one-year pay freeze, implemented as part of the Scottish Government's 2011/12 budget announcement, was extended to 2012/13 by many bodies. This is now ending. All but two survey bodies planned to give staff a pay increase in 2013/14 of one per cent on average. We estimate that, if the public sector

workforce remains unchanged, these increases would add at least £283 million to the staff costs of councils, the NHS, the Scottish Government and other central government bodies by 2014/15.

**93.** Assuming the workforce remains the same, staff costs will also increase up to 2014/15 due to:

- Pay progression schemes. These allow employees to move through a pay band as they gain additional experience or skills, or due to their performance at work. We estimate that pay progression would add at least £130 million to staff costs for councils, the NHS, the Scottish Government and other central government bodies.
- Central government bodies, councils and the NHS adopting the new living wage. The Scottish Government announced it was adopting a living wage of £7.45 an hour, for all staff on lower incomes, from 1 April 2013. It estimated that this would benefit around 3,300 public sector workers in the NHS and central government. We estimate that implementing the living wage would increase public bodies' staff costs by at least £20 million.
- Public bodies meeting equal pay claims. Under equal pay legislation, employers must ensure that men and women doing similar work receive the same pay. Collectively, councils spent £25.6 million on equal pay claims in 2011/12 and have spent a total of £475 million on it between March 2010 and 2012.<sup>46</sup> We do not have information on the impact of equal pay claims in the NHS and central government.

**94.** Based on these calculations, staff pay costs will increase in all three sectors between 2012/13 and 2014/15:

- Council staff costs would rise by at least three per cent (£210 million) to £7 billion. However, councils expect to reduce staff numbers up to 2014/15.
- Staff costs in NHS bodies would rise by at least three per cent (£170 million), to £5.7 billion in cash terms.
- For central government bodies we do not have staff cost information for the whole sector. Based on our 26 surveyed bodies, costs are likely to increase by £53 million. However, numbers in the sector are growing; they rose by 800 WTE in 2012/13 ([paragraph 17](#)) and 22 of our survey bodies forecast an increase of just under 250 WTE in 2013/14 and 2014/15 ([paragraph 89](#)).

### **Public bodies need to consider alternative options to achieve the cost reductions needed while identifying and maintaining priority services**

**95.** The scale and duration of the financial challenges the public sector is facing present difficult choices for public bodies and their workforces. Councils face the biggest challenge, although all public bodies need to manage resources effectively. To help deliver the workforce changes needed, public bodies may need to consider:

- Changes to working patterns. This can offer flexibility to both staff and to organisations and secure greater economy and efficiency from existing assets.

- Making use of the flexibility available to them, to tailor early departure schemes to their own circumstances. Where the flexibility is insufficient, bodies may need to seek guidance from the Scottish Government or COSLA.
- How to use no-compulsory-redundancy policies to negotiate agreements on workforce flexibilities and efficiencies.<sup>47</sup>
- Further restrictions on pay increases, pay cuts and longer working hours. Such approaches should be balanced against the potential effects on staff performance and morale.
- Targeting recruitment campaigns and building links with education providers to help manage ageing workforces and counter the impact of retirements on the capacity and capabilities of their workforce.

**96.** Public bodies will continue reviewing workforces to reduce costs. However, some options that have worked to date may no longer provide the savings necessary. For example, 31 councils, nine NHS bodies and ten central government bodies intend using early departure schemes in 2013/14 and 2014/15. Our analysis suggests that where bodies have used departure schemes over a number of years, the schemes are attracting fewer applicants each time ([Exhibit 3, page 15](#)). There is a risk, therefore, that early departure schemes will not attract enough applicants to produce the savings needed.

**97.** Public bodies need to think differently to find new ways to make savings, some of which go beyond focusing on reducing workforce numbers. Public bodies also need to consider:

- more cross-organisation and cross-sector working
- making more use of service redesign
- reviewing which services they continue to provide
- helping communities to provide services for themselves
- increasing income from service charging by increasing charges on existing services or introducing new charges.

**98.** Public bodies are already beginning to work together across and within sectors to improve the services they deliver. Organisations have opportunities to plan collaboratively how they can provide services more efficiently and effectively. Examples of where these opportunities arise include integrating health and social care services, and the increased emphasis on the role of community planning partnerships. There are examples of councils collaborating to provide services and there may be opportunities for councils to do this more often. For example, Clackmannanshire Council had difficulty delivering its trading standards service cost effectively. It set up a joint-working arrangement with Stirling Council, resulting in a cost saving. Our work on community planning partnerships highlighted that there was little evidence of CPPs jointly planning how to use money, workforces and buildings. We did identify some examples of effective joint-working. We recommended that CPPs should make sure they learn from and make more use of their experiences of working together on specific initiatives to better plan the use of resources. CPPs should consider the

opportunities and implications for individual partner workforces when planning to share resources.<sup>48</sup>

**99.** Service redesign requires a detailed review of how organisations currently provide services, and innovative thinking to provide them in different ways. An example is the NHS Forth Valley's Pharmacy Services redesign project in 2012. The health board bought three robotics units to help distribute and dispense medicines. These units reduced the floor space required to hold stock, cut labelling errors and wasted stock, and released specialist staff from routine work. This in turn meant that a full clinical service was available seven days a week rather than five. NHS Forth Valley also reported a one-off saving of £700,000 from reducing the amount of stock it needed to hold.

**100.** Boards and elected members may also need to prioritise services, and identify if service cuts are necessary. There is some evidence of public bodies reviewing service priorities already, but service cuts to date have been small-scale. For example, Glasgow Council reduced the frequency of grass cutting, and Aberdeenshire Council reduced museum opening hours. As we noted in *Scotland's public finances: addressing the challenges*, priority-based budgeting is one way to take this forward.<sup>49</sup>

**101.** Although the Scottish Government has not yet introduced the Community Empowerment and Renewal Bill, its consultation placed significant emphasis on communities playing their part in identifying and meeting their own needs. Public bodies should consider whether communities should have a greater role in services that the public sector currently provides. This includes whether communities could help to provide services directly.

**102.** Councils and some central government bodies charge for some of the services they provide. Some councils have already included proposals for increasing existing charges within their latest budget agreements. More generally, public bodies may need to consider increasing charges for some services or introducing charges for other services. If bodies decide to introduce or increase charges they should do so only after they have completed detailed analyses of the current costs of delivering the services, to ensure they are providing them as efficiently and economically as possible and used scenario planning to consider the effect of changes. Our report, *Charging for services: are you getting it right?*, includes a guide to managing charges.<sup>50</sup>

**103.** The Scottish Government and public bodies will need to consider the potential effects of further workforce changes on the wider economy. Some communities are highly dependent on public sector jobs. For example, in March 2013, island councils and health boards employed a significant percentage of the local workforce. The average for Scotland is 11 per cent but the figures for Shetland, Orkney and the Western Isles are 30 per cent, 23 per cent and 21 per cent respectively.

**104.** Workforce planning in the NHS is more joined up across the sector than we found in other sectors. The NHS has, for example, set up regional workforce planning groups helping NHS bodies to identify where they can share specialist staff who work across board areas. Also, the SGHSCD aggregates this information for key professions and uses it to work out the demand for and supply of workers nationally. For example, the number of training places available for nursing and midwifery reflect NHS boards' combined workforce projections

and other considerations such as staff turnover and age. However, the SGHSCD has been less successful at planning for other professions. It is currently reviewing its strategy for Reshaping the Medical Workforce in Scotland in the light of a shortage of junior doctors.

**105.** There is potential for public bodies to share learning and experiences. We identified some examples of sharing good practice in workforce planning:

- In 2012 the Scottish Leadership Forum brought forward four initiatives as part of its review of workforce development. It identified these as: collaborative learning, employee engagement, shared educational resources and community asset workforce development.
- The Scottish Government has helped develop a network of heads of HR from agencies and non-departmental public bodies to share practice on workforce management. The heads of HR meet quarterly.
- The SGHSCD established a similar networking group for NHS workforce planners under its 'Pan-Scotland workforce planning' initiative.
- The Improvement Service provided money to help Aberdeenshire Council develop its workforce planning toolkit. This is now available to all Scottish councils ([Report supplement 3: Aberdeenshire Council's workforce planning toolkit and NHS six steps methodology](#)) (PDF) .

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## Recommendations

**The Scottish Government and the Convention of Scottish Local Authorities (COSLA) should work with public bodies to:**

- 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
- collect and share information on the mix of approaches that bodies use to manage workforces.

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

- 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
  - monitor the age of their staff, to prepare for peaks in departures resulting from people leaving when they reach retirement age.
-

# Endnotes



- ◀ 1 In this audit, staff in the devolved public sector includes staff working directly for councils, the NHS, the Scottish Government and other central government bodies but excludes staff employed in the police and fire service, higher and further education and arm's-length external and other non-public sector bodies. Central government bodies include the Scottish Government agencies, NDPBs, non-ministerial departments and public corporations.
- ◀ 2 [Managing early departures from the Scottish public sector \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 3 The revenue budget is the amount that organisations can spend on the day-to-day costs of running services.
- ◀ 4 The remainder is raised from service fees, charges, other revenue, government grants and housing rents. Estimate of 70 per cent based on 2011/12 data from [Responding to challenges and change: An overview of local government in Scotland 2013 \(PDF\)](#)  Audit Scotland, March 2013.
- ◀ 5 *The Scottish Budget, Draft Budget 2014-15*, the Scottish Government, September 2013. We have removed higher and further education colleges and police and fire and rescue service funding from central government and council figures over the period from 2009/10 to 2012/13. All cost figures quoted at paragraph 4 are in real terms to take account of inflation. They are based on 2012/13 prices.
- ◀ 6 The fieldwork sites were Aberdeenshire, Glasgow City and South Lanarkshire Councils, NHS Forth Valley, NHS Lanarkshire and the Scottish Ambulance Service, the Scottish Court Service, the Scottish Environment Protection Agency and the Scottish Government.
- ◀ 7 We gathered data from all 32 councils, all 22 NHS boards and a sample of 26 central government bodies including the Scottish Government ([Appendix 1](#)).
- ◀ 8 The Scottish Agricultural College and the James Hutton Institute are included within government employment figures for the central government sector for 2009–2013. We do not have details of the number of staff they employ. As such they are included in our analysis of trends in staff numbers in this sector, but excluded from the rest of our analysis.
- ◀ 9 A pay freeze was applied to most staff, and related to inflationary increases only. Staff on the lowest salaries were provided with a small uplift. Some councils also applied pay restraint.
- ◀ 10 [Managing early departures from the Scottish public sector \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 11 *Public sector employment statistics*, Scottish Government, June 2013. Figures exclude colleges, police and fire and rescue services.
- ◀ 12 *Public sector employment statistics*, Scottish Government, June 2013.
- ◀ 13 In 2012, NHS Education for Scotland assumed the role of employer for GP medical trainees when they undertake the practice component of their training. This accounts for the additional 450 WTE staff recorded.
- ◀ 14 Three of the central government bodies in our survey did not exist in 2009 – the Care Inspectorate, Children's Hearings Scotland and Creative Scotland.
- ◀ 15 The nine health boards are NHS Ayrshire and Arran, NHS Dumfries and Galloway, NHS Forth Valley, NHS Grampian, NHS Greater Glasgow and Clyde, NHS Highland, NHS Lanarkshire, NHS Lothian and NHS Tayside.
- ◀ 16 SERCO is a public limited company that provides services to the UK Government and other public bodies.
- ◀ 17 Headcount refers to the number of people working in an organisation. It includes both full and part-time staff and does not take account of differences in the hours they work.
- ◀ 18 When staff are seconded in or out of an organisation, their post continues to exist with the employer from which they have been seconded. It will show as a reduction in headcount for that employer until the employee returns from secondment.
- ◀ 19 *Public Sector Employment web tables – Q1 2013*, Scottish Government and ONS, March 2013. Not all executive NDPBs or public corporations are included in the figures. Figures that we report are headcount.
- ◀ 20 Public bodies are required to collect data on the ethnic make-up of their workforce under the Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2000). We found, however, that published data are incomplete with a large proportion of the workforce of 'unknown' ethnic origin, because individuals do not report this information.
- ◀ 21 In the Scottish Government, senior posts are those at Deputy Director level and above.
- ◀ 22 In the NHS, senior managers include some who are on higher Agenda for Change bands. Boards have discretion to exclude some clinical staff and include administrative staff on higher Agenda for Change bands that they class as senior managers.

- ◀ 23 [Responding to challenges and change: An overview of local government in Scotland \(PDF\)](#)  Audit Scotland, March 2013.
- ◀ 24 NHS Scotland workforce data tables, Information Services Division, May 2013.
- ◀ 25 Civil Service Statistics tables, Civil Service employment; responsibility level by government department, 2009 and 2012. Figures are for the Scottish Government and its agencies.
- ◀ 26 [Protecting consumers \(PDF\)](#)  Audit Scotland, January 2013 and [Modernising the planning system \(PDF\)](#)  Audit Scotland, September 2011.
- ◀ 27 We do not have figures for 2012/13 and so our analysis of costs is based on a three-year period. Cost decreases are based on 2011/12 prices.
- ◀ 28 Depending on the terms of the transfer or outsourcing arrangement, public bodies may retain some responsibility for any redundancy costs for staff made voluntarily or compulsorily redundant by the arm's-length or private sector organisation.
- ◀ 29 LFRs are submitted to the Scottish Government by local authority bodies. LFRs provide final outturn expenditure statistics for each council. Councils submit them annually to the Scottish Government who use them to help make policy decisions and in assessing the allocation of funding across the 32 councils. LFR data is not audited.
- ◀ 30 Sources of good practice guidance included internal materials prepared by the National Audit Office for its work on managing early departures in central government, CIPD, Improvement Service and Employers Organisation *Guide to workforce planning in local authorities*, July 2003.
- ◀ 31 In the Scottish Court Service plans are produced for each sheriffdom rather than individual services. Also, some bodies plan at a departmental level.
- ◀ 32 The 'six steps' is a workforce planning approach used by the NHS. Aberdeenshire Council's workforce planning toolkit approaches workforce planning in a similar way.
- ◀ 33 Normal pay progression arrangements remained in place. Support for lower paid staff was also provided over this period.
- ◀ 34 *Independent Budget Review: The Report of Scotland's Independent Budget Review Panel*, July 2010. This figure included colleges, and police, fire and rescue services.
- ◀ 35 This applies to staff employed on Agenda for Change conditions. The relevant protection is set out in *MEL 99/7 (1999)*, The Scottish Office Department of Health, 29 January 1999, which specifies that staff will not suffer any detriment to their income and earning levels because of organisational change. Employers should offer or bring to the attention of staff on protected earnings suitable posts on the appropriate grade/terms and conditions of service. If staff refuse a reasonable offer, then pay protection ends.
- ◀ 36 The Scottish Ambulance Service has not run an early departure scheme.
- ◀ 37 Most bodies met the costs of their early departure schemes from their own funds. However, ten bodies in our survey obtained loans or additional funding from the Scottish Government.
- ◀ 38 [Managing early departures from the Scottish public sector \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 39 [Learning the lessons of public body mergers \(PDF\)](#)  Audit Scotland, June 2012 and [Managing early departures from the Scottish public sector \(PDF\)](#)  Audit Scotland, May 2013.
- ◀ 40 All figures are revenue from the Scottish Government. Council figures include income from council tax payments and business rates. We have adapted the Information to take account of changes in police and fire and rescue service funding, using *The Scottish Budget, Draft Budget 2014-15*, The Scottish Government, 2013. Figures for 2014/15 are from the draft budget and figures for 2015/16 are planned. Figures calculated at 2012/13 cash prices.
- ◀ 41 [Responding to challenges and change: an overview of local government in Scotland \(PDF\)](#)  Audit Scotland, March 2013.
- ◀ 42 [CPPR Briefing Note: UK Spending Review 2013 & the Scottish Government's budget](#)  Centre for Public Policy for Regions, August 2013.
- ◀ 43 [Population projections for Scottish areas \(2010\)](#)  National Records of Scotland, February 2012.
- ◀ 44 [Scotland's public finances: Addressing the challenges \(PDF\)](#)  Audit Scotland, August 2011.
- ◀ 45 Council figures for 2012/13 exclude police and fire staff employed by Fife Council.
- ◀ 46 [Responding to challenges and change: An overview of local government in Scotland \(PDF\)](#)  Audit Scotland, March 2013.
- ◀ 47 [Public Sector Pay Policy for Staff Pay Remits 2014-15](#)  Scottish Government, 2013.
- ◀ 48 [Improving Community Planning in Scotland \(PDF\)](#)  Audit Scotland, March 2013.
- ◀ 49 A priority-based budgeting approach focuses on the delivery of priority outcomes and allocates money to those services or areas which make the greatest contribution to delivering these outcomes. The process requires an effective understanding of which services contribute most and least to the organisation's priorities. This approach means services or activities which contribute least to outcomes may be reduced or withdrawn. [Scotland's public finances: Addressing the challenges \(PDF\)](#)  Audit Scotland, August 2011.
- ◀ 50 [How councils work: Charging for services \(PDF\)](#)  Audit Scotland, October 2013.

# Appendix 1

## Audit approach



Our audit had four main components:

- Desk research and analysis – we reviewed existing information including:
  - employee data published by the Scottish Government, NHS Information Services Division Scotland and the Office for National Statistics
  - reviews, reports and relevant work carried out by the NAO, Chartered Institute of Personnel and Development, Improvement Service, Local Government Association
  - the audited accounts of 66 central government bodies to help determine staff costs, local financial returns (LFRs) and Whole of Government Accounts.
  - current information on UK and Scottish Government policies and policy initiatives.
- Survey – we issued a data return to all 32 councils, all 22 special and territorial health boards and a sample of 26 central government bodies in May 2013. We asked for information on their workforce, the approaches they used to manage workforce costs, their use of early departure schemes, and their future staff numbers and costs. We tailored the data request for each body so that we asked only for information that we could not get from other sources. Our survey included the following sample of central government bodies:

### Central government bodies' sample

Architecture Design Scotland	Care Inspectorate	Children's Hearings Scotland	Creative Scotland
Crown Office and Procurator Fiscal Service	Highlands and Islands Airports Ltd	Highlands and Islands Enterprise	Historic Scotland
Loch Lomond and Trossachs National Park Authority	National Library of Scotland	Registers of Scotland	Royal Botanic Garden Edinburgh
Scottish Children's Reporter Administration	Scottish Court Service	Scottish Enterprise	Scottish Environmental Protection Agency
Scottish Further and Higher Education Funding Council	Scottish Government	Scottish Legal Aid Board	Scottish Natural Heritage
Scottish Prison Service	Scottish Qualifications Authority	Scottish Social Services Council	Scottish Water
Skills Development Scotland	VisitScotland		

- Wherever possible, we have used WTE figures in our report. However, when WTE figures were not available, we converted headcount figures to WTEs. If we have converted staff numbers to WTE we say this.
- Fieldwork – we undertook fieldwork at nine public bodies in March and April 2013: Aberdeenshire Council, Glasgow City Council, South Lanarkshire Council, NHS Forth Valley, NHS Lanarkshire, Scottish Ambulance Service, Scottish Environment Protection Agency, Scottish Court Service and the Scottish Government. This involved:
  - A review of plans and documents on workforce planning at an organisational level, and for up to three services at each fieldwork site.
  - Interviews with:
    - the chief executive
    - the head of finance or appropriate colleague
    - the head of HR
    - heads of a sample of services that had been through workforce change
    - trade union representatives
    - other appropriate officers.
- Interviews with other stakeholders – we interviewed representatives from organisations including The British Medical Association, The Royal College of Nursing, the Convention of Scottish Local Authorities (COSLA), Society of Local Authority Chief Executives (SOLACE), Scottish Social Services Council, and chief executives and HR leads from a sample of NDPBs.

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# Appendix 2

## Membership of the advisory group

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Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

Member	Organisation
Barbara Allison	Scottish Government
Professor James Buchan	Queen Margaret University
Dot McLaughlin	Improvement Service
Lindsay Montgomery	Scottish Legal Aid Board
Kate O'Hagan	South Ayrshire Council
Dave Watson	Unison

Note: Members of the advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Scotland's public sector workforce

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