

Internal Audit Report

Workforce Planning – Flexible Workforce

5 December 2024

CD2403

**Overall
Assessment**

**Reasonable
Assurance**

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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2024/25 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2024. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Global Internal Audit Standards (UK Public Sector) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings are raised with senior management and elected members as appropriate.

Executive Summary

Overall
Assessment

Reasonable
Assurance

Overall opinion and summary of findings

Overall, reasonable assurance is provided on the effectiveness of the Council's governance, risk and control framework for effective management of the flexible workforce. The Council has a clear approach for usage of its flexible workforce and well-established processes in service areas to monitor spend and utilisation.

However, issues were identified in Education concerning monitoring the tenure of supply workers and fixed-term contracts which may impact achievement of wider Council objectives if not addressed.

The following improvement actions were identified:









- directorates should establish plans setting out their approach to how flexible workforce is utilised, including monitoring and reporting arrangements
- arrangements should be established in schools to monitor the tenure of supply workers and fixed-term contracts, in line with Council guidance
- service risk management arrangements should be reviewed to ensure flexible workforce risks are recorded.

Audit Assessment

Areas of good practice identified

- the [Strategic Workforce Plan 2024-27](#) sets out flexible workforce themes that must be considered to meet the Council's strategic business priorities
- the Council's approach for the use of fixed-term contracts, supply workers and casual workers is clearly set out on the Orb
- well-established workforce planning processes are in place for Council service areas, such as Customer Contact, Waste and Cleansing, and Care Homes
- person specifications have been established in agency contracts to ensure staff provided to the Council are skilled, experienced, qualified, and suitably vetted
- flexible workforce data, including spend trends, is reported to the Finance and Resources Committee through the Workforce Dashboard.

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Approach to Flexible Workforce			Finding 1 – Directorate Approach to Usage of Flexible Workforce	Medium Priority
2. Flexible Workforce Processes in Service Areas			Finding 2 – Flexible Workforce Monitoring in Schools	High Priority
3. Governance and Supplier Management			See Finding 1	N/A
4. Risk Management			Finding 3 – Service Risk Registers	Medium Priority

Background and scope

Flexible workforce refers to workers employed through agencies, casual workers, those on fixed-term contracts, as well as permanent staff who work overtime. It should be noted that the Council does not categorise fixed-term contracts as being part of its flexible workforce.

It is recognised by the Council that short-term use of a flexible workforce can be essential to meet demand. However, while there may be a continued reliance on temporary and agency staff to ensure safe staffing levels, e.g. in care homes, it is important to ensure that there are effective governance and oversight arrangements in place to monitor use of such staff across roles, length of time these staff have been in these roles, associated costs, supplier management of relevant agencies, as well as ensuring compliance with relevant legislation and guidance, e.g. PVG requirements.

Guidance

Guidance is available on the Orb for how [fixed-term employees](#), [supply workers in schools and early years settings](#), [casual workers](#) and [agency staff](#) should be utilised. If it's known at the outset that there's a temporary requirement for more than three months, schools should advertise the vacancy in accordance with the Council's Recruitment and Retention Policy.

Reporting, Governance and Oversight

A quarterly Workforce Dashboard is presented to the [Finance and Resources Committee](#) that summaries high-level workforce data including, but not limited to, total workforce spend, total agency spend and total casual spend. A weekly report is issued to the Waste and Cleansing service area showing spend and hours by location and hiring manager and this information can be accessed as required by services.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure the Council has a strategic approach to utilising a flexible workforce, as well as

monitoring, reporting and governance of use of agency staff and temporary/casual workers.

The audit also specifically reviewed a sample of supply workers engagements across schools to ensure these are in line with requirements, as recommended in the Whistleblowing Investigation Outcome Report CEC-35-23 issued in May 2024.

Alignment to Risks and Business Plan Outcomes

The review also provided assurance in relation to the following Corporate Leadership Team risks:

- Strategic Delivery
- Financial and Budget Management
- Supplier, Contracts and Partnership Management
- Governance and Decision Making
- Service Delivery
- Regulatory and Legislative Compliance
- Fraud and Serious Organised Crime.

Business Plan Outcomes:

- The Council has the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost.

Limitations of Scope

The following areas were excluded from scope:

- the management of overtime and expenses was not included as this was covered by the audit of [Overtime and Expense Payments](#) completed in May 2024 as part of the 2023/24 audit plan.

Reporting Date

Testing was undertaken between 9 September and 22 October. Sample testing for the review of supply engagements in schools was based on the period of 1 April 2021 to 15 September 2024.

Our audit work concluded on 22 October and our findings and opinion are based on the conclusion of our work as at that date.

Findings and Management Action Plan

Finding 1 – Directorate Approach to Usage of Flexible Workforce

Finding Rating	Medium Priority
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The Council has set out an [approach](#) to how its flexible workforce should be utilised on the Orb (the Council's Intranet) and there are well-established processes in service areas such as Customer Contact, Care Homes, and Waste and Cleansing to ensure that flexible workforce utilisation and spend is monitored in alignment with the Council's guidance.

Directorates provide quarterly updates via the Workforce Dashboard report presented to the Finance and Resources Committee. However, these updates do not always report on flexible workforce. The Health and Social Care Partnership's Workforce Board also reviews workforce data including supplementary staffing spend.

The Council's [Strategic Workforce Plan 2024-27](#) was approved in August 2024 and includes a requirement for Directorate operational workforce plans to be compiled at service level. Directorates have not yet established procedures setting out how they will align with the Council's approach, including how flexible workforce is used, and monitoring and reporting arrangements. Service level workforce plans are due to be completed by 31 December 2024.

Clear guidance is provided on the [Orb](#) for the usage of fixed-term contracts, supply workers and casual workers. Although the guidance for the use of agency staff provides operational direction on how to book such staff, it does not set out an approach for when agency staff should be used and considerations that should be made prior to booking agency staff, including considering part-time roles and increasing the contracted hours of existing staff.

Risks

- **Strategic Delivery** – flexible workforce is not utilised in alignment with the Council's approach
- **Financial and Budget Management** – excessive usage and spend on flexible workforce in Council directorates is not identified and mitigated
- **People** – flexible workforce is utilised to fill gaps when existing colleagues could be offered additional hours to reduce agency expenditure.

Recommendations and Management Action Plan: Directorate Approach to Usage of Flexible Workforce

Ref.	Recommendation	Agreed Management Action	Action Owner and Lead Officers	Timeframe
1.1	As part of workforce planning, directorate-level plans should be developed to ensure that the use of flexible workforce in each directorate is aligned with the Council's approach. This should include clear links to service workforce plans, and directorate	CEJS: Once Service Workforce plans are available CE&JS will look to develop a Directorate level plan to confirm that our Directorate planning is in alignment with the Council's organisational approach.	Owners: All Executive Directors Lead Officers: All Directorate Operations Managers	CEJS: 30/09/2025 Corporate Services: 30/09/2025

	<p>monitoring and reporting arrangements, including ensuring provision of flexible workforce data to the Finance and Resources Committee.</p>	<p>Corporate Services: Once Service Workforce plans are available Corporate Services will look to develop a Directorate level plan which will look to include the following: clear reference to the contents of Service plans, outlines as to how we will deliver high level Directorate monitoring and reporting of workforce (including flexible workforce) and how we plan to report data on our flexible workforce to Committee, and confirmation that Directorate planning is in alignment with the Council’s organisational approach.</p> <p>HSCP: Flexible workforce arrangements will be considered as part of the development of the restructure and aligned to the EIJB Workforce Plan. Flexible working data will be considered and monitored through the EHSCP Workforce Board.</p> <p>Place: The directorate recognises the importance of this recommendation. Following the development of service level workforce plans, the directorate will consider how to ensure that flexible workforce information is utilised effectively by the directorate for monitoring and reporting.</p>		<p>HSCP: 30/09/2025</p> <p>Place: 31/12/2025</p>
1.2	<p>The Council’s Orb pages on the use of agency staff should be reviewed and updated, with clear guidance provided to</p>	<p>Agreed, the Council is currently procuring a new agency supplier, and the Orb will be refreshed once the outcome of that exercise is ratified by Finance and Resource Committee.</p>	<p>Owner: Executive Director, Corporate Services</p> <p>Lead Officers:</p>	<p>30/04/2025</p>

	ensure clarity for managers on when agency staff should and should not be used.		Lead HR Consultant, Employee Life Cycle and Reward	
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Finding 2 – Flexible Workforce Monitoring in Schools

Finding Rating	High Priority
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In line with the [Supply Workers Handbook](#), where a single continuous period of supply work is for three days or more, or it is known at the outset that the period of work will last more than two days (up to three months), teachers should be employed on fixed-term temporary contracts.

If it is known at the outset that there is a temporary requirement for more than three months (for example, maternity cover), the school should advertise the vacancy in line with the Council's [Recruitment and Selection Policy](#).

Between 1 April 2023 and 31 March 2024, 42 (4%) of 992 school supply workers worked in supply engagements for more than three months. While schools are required to record the rationale for supply engagements, the reasons for these engagements and their expected lengths are often not fully and clearly recorded in the Council's supply booking system (Teacher Booker).

Robust controls had also not been established within Education to monitor the length of supply worker contracts. However, prompted by this audit, the service has developed a monitoring report that will highlight any supply worker who has worked in a continuous period of supply work for 9 weeks or more which will prompt early intervention in future cases.

If an employee remains in a single or successive fixed-term contract beyond two years they may become eligible to additional rights, including eligibility for a permanent post.

A report run from the Council's HR system, iTrent (now replaced by Oracle Fusion), identified 490 employees in schools whose fixed-term contract exceeded the Council's guidelines of 23 months since April 2021. Of the 490 employees, up to 15 September 2024, 283 were still employed by the Council. Data from Teacher Booker also stated that 6 employees were working in supply roles in 23/24, sometimes in different schools, at the same time as their fixed-term contract. Management advised that school Business Managers were not always recording an end date to fixed-term contracts in the Council's HR system resulting in conflicting data, meaning schools cannot easily identify employees eligible for consideration for permanent posts.

Risks

- **Governance and Decision Making** – if continuous supply periods are not monitored, supply workers may complete work that should be advertised for a permanent or fixed-term contract
- **People** – Council employees who are entitled to consideration for permanent posts do not have job security
- **Service Delivery** – when posts are not filled by permanent employees, the Council may have to recruit more frequently.

Recommendations and Management Action Plan: Flexible Workforce Monitoring in Schools

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	A procedure should be created by Education to monitor supply work to ensure adherence to the 3-month limit for supply worker contracts. This should consider the feasibility of additional of dropdown fields in the Teacher Booker system to ensure the reason for the engagement is clearly recorded at	Training – HR colleagues attended the Secondary Business Manager meeting in November 2024 and are attending the next Primary Business Manager meeting in December 2024, to update Business Managers on the use of Fixed Term	Executive Director, Children Education and Justice Services	Operations Manager, HR and Schools Support Senior Education	30/06/2025

	<p>the outset to enable effective oversight. Where the system enhancements are not possible, other controls to record the reason should be implemented.</p> <p>Oversight arrangements should also be established to regularly monitor the length of fixed-term contracts, and a communication should be issued to Business Managers reminding them of their responsibility to update relevant HR systems to confirm a fixed-term contract has ended.</p>	<p>contracts, specifically connected to any supply posts which last more than 3 days.</p> <p>Regular reminders and any updates will be issued to Business Managers and Head Teachers, via meetings and briefing sessions.</p> <p>Operations Manager will set up and run a monthly report to review adherence to the 3 month limit. This will be tracked on a monthly basis at the Education Operations Team meeting, and any required action with schools will be followed up and tracked.</p>		Officer (Workforce)	
2.2	<p>The Education service should review the 42 supply worker whose engagements have exceeded 3 months and meet with Business Managers to identify any engagements where a requirement of more than 3 months was not known at the outset. Where relevant, vacancies should be advertised in accordance with the Council's Recruitment and Selection Policy.</p>	<p>Senior Education Officer (Workforce) and Operations Manager to review.</p> <p>Additional training for Business Managers to be implemented, if required.</p>			30/06/2025
2.3	<p>A review of the 283 employees on fixed-term contracts exceeding 23 months in Education should be carried out to ensure any current employees who are eligible for consideration of permanency are identified and action is taken in accordance with the Recruitment and Selection Policy.</p>	<p>Senior Education Officer (Workforce) and Operations Manager to review.</p> <p>Additional training for Business Managers to be implemented, if required.</p>			30/06/2025

Finding 3 – Service Risk Registers

Finding
Rating

Medium
Priority

Effective risk management of flexible workforce is essential to ensure that risks associated with flexible workforce are actively monitored, managed, reviewed, and escalated to the appropriate directorate level. It is best practice to have risk registers at team, service, division and directorate levels to support effective risk management.

A service risk register has not been developed for Care Homes, where there is high usage and spend on flexible workforce.

Discussions held with Waste and Cleansing management also identified that its service risk register had not been reviewed since November 2022. A workshop was held with the Corporate Risk Team in October 2024 and a further meeting is scheduled in December 2024 to refresh risks and transfer to the new corporate template.

Risks

- **People/Governance and Decision Making** – flexible workforce risks may not be identified, assessed, managed and escalated to Directorate, divisional and service risk registers.





Recommendations and Management Action Plan: Service Risk Registers

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1a)	In line with the Council's risk management framework, a risk register should be developed for Care Homes and maintained on a quarterly basis, ensuring that current and emerging risks are captured, documented, assessed, with mitigating actions identified and implemented, and risks escalated to the Directorate and Council's Corporate Leadership Team risk committees where required.	Care Homes – a Risk Register will be developed for the Care Home service.	Chief Officer, Edinburgh Health and Social Care Partnership	Unit Manager, Edinburgh Health and Social Care Partnership	28/02/2025
3.1b)	The revised Waste and Cleansing risk register should be updated to include relevant risks, current controls and future actions relating to flexible workforce. The risk register should be maintained on a quarterly basis, ensuring that current and emerging risks are captured, documented, assessed, with mitigating action identified and implemented, and risks escalated to the Directorate	Neighbourhood Environmental Services – Following the December 2024 risk workshop, the risk register will be refreshed using the new corporate risk register format. Flexible Workforce will be recorded as a risk and the risk register will be reviewed on a quarterly basis.	Executive Director, Place	Head of Neighbourhood Environmental Services	28/02/2025

	and Council's Corporate Leadership Team risk committees where required.				
3.2	As part of the development of service level workforce plans, flexible workforce risks should be recorded in service risk registers and escalated to the Directorate and Council Leadership Team risk committees where required.	<p>CEJS: will reinforce to our Divisions and Services, the importance of Risk Registers, that they are accurate, and include, where relevant, any concerning or increasing risks around Flexible Workforce and these are appropriately and timeously escalated to the Directorate or CLT as required.</p> <p>Corporate Services: will reinforce the importance to Divisions and Services of ensuring that risk registers are an accurate representation of all current risks, including where relevant Flexible Workforce and that any concerning or increasing risks are appropriately and timeously escalated to the Directorate or CLT as required.</p> <p>HSCP: will reinforce the importance to Partnership divisions of ensuring risk registers accurately represent all current risk, including where necessary a flexible workforce.</p> <p>It will also ensure that divisions are clear on the route to escalate risks to the Partnership risk committee or other governance committees as appropriate.</p> <p>Place: As part of the quarterly risk committee cycle, Heads of Service will be</p>	All Executive Directors	All Directorate Operations Managers	<p>CEJS: 31/05/2025</p> <p>Corporate Services: 31/05/2025</p> <p>HSCP: 31/05/2025</p> <p>Place: 31/05/2025</p>

		reminded to ensure that service risk registers are an accurate representation of their current risks, including where relevant, Flexible Workforce.			
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Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Approach to Flexible Workforce	<ul style="list-style-type: none"> An approach that clearly sets out how temporary staff, supply contracts, fixed-term contracts, and agency staff should be utilised has been developed, communicated and there is consistent compliance with requirements across the Council A workforce plan that sets out the Council's strategic approach for maximising use of a flexible workforce, including agency staff, casual workers and fixed-term staff while ensuring delivery of service priorities, cost efficiencies and stability for individual workers is in place
Flexible Workforce processes in Service Areas	<ul style="list-style-type: none"> Procedures have been established at directorate and service level that set out the approach to the usage of a flexible workforce, which are aligned to the Council's overall approach and include clear delegated authorities for vacancy approvals Use of permanent roles is considered as part of workforce planning with clear justification and approval for usage of flexible workers where work cannot be performed by permanent staff or there is a lack of sufficiently qualified and experienced permanent staff Fixed-term contracts for supply workers in schools do not exceed 3 months and, where it's known at the outset that there's a requirement for more than 3 months, the vacancy is advertised in accordance with the Recruitment and Selection Policy In line with Council guidance, fixed-term contracts are issued when there is a genuine, short-term need for additional resource and do not exceed 23 months without justification Processes have been established to monitor usage of flexible workforce and, where high spend or usage is identified, processes have been established to reduce spend and usage including consideration of permanent roles where appropriate.
Governance and Supplier Management	<ul style="list-style-type: none"> There is regular reporting of usage of flexible workforce and associated spend to an appropriate governance forum Minutes from governance forums demonstrate scrutiny of flexible workforce data and, where appropriate, decisions have been made with the aim of reducing spend and usage Effective supplier management arrangements have been established to ensure agency staff are sufficiently skilled and experienced to perform roles and they have been effectively vetted, e.g. PVG checks.
Risk Management	<ul style="list-style-type: none"> Risks related to usage of flexible workforce are identified, recorded and managed within service risk registers, and regularly reviewed to ensure appropriate mitigating actions are in place and remain effective, with escalation to divisional and directorate level risk committees where required.