

Date: 18 July 2013

Item 6: TfL Headcount

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to set out the key headcount variances from the 2012/13 Budget to the end of the financial year.

2 Recommendation

2.1 **The Committee is asked to note this paper.**

3 Background

3.1 The Operational and Financial Performance Report (OFR) for the Fourth Quarter of 2012/13 was considered by the Committee at its meeting on 23 May 2013.

3.2 The Quarter 4 OFR reported that total TfL full-time equivalent (FTE) staff reached 28,202 at the end of 2012/13, 607 higher than budget. The Committee requested further information on this increase.

3.3 The Committee additionally requested information on the level of, and rationale for, non-permanent labour (NPL) and secondments within TfL.

3.4 For the purposes of TfL reporting, FTE includes permanent staff, NPL, and an adjustment for staff on maternity leave. This is consistent with the approach in the OFR and this paper.

4 Business planning and the Budget

4.1 TfL publishes its Business Plan annually, following approval by the Board. The Plan focuses on outcomes to be delivered and the expenditure level required to deliver such outputs. TfL refreshes its long-term financial and delivery forecasts every quarter to reflect changing external circumstances (including economic growth, population forecasts and inflation indexes) as well as its refinement of cost and delivery plans on how best to achieve cost efficiency and effectiveness.

4.2 New projects will usually be incorporated into the updated Business Plan before a full delivery plan is in place. For example, the strategic nature of the Business Plan process may identify the need to improve an aspect of transport, with an estimated cost but without knowing the best mix between internal and external resource or direct and indirect expenditure etc. This can therefore create a lag in FTE numbers compared to Business Plan and Budget.

- 4.3 As forecasts are updated, the specific manner of delivering the outcomes will be developed and may evolve over time. The organisation is constantly reviewing its expenditure and staffing requirements and evolving these to make best use of tax and fare-payers money. The refinement of delivery plans during the year will partly be reflected in the number of staff TfL plans to employ.
- 4.4 Following significant improvements in TfL's Business Planning process last year and the desire to improve wider processes following the Horizon change, together with the need to make ongoing efficiencies, TfL is currently pressing ahead with a multi-year project to review some key processes and/or systems. One of these is Integrated Planning, where from initial scoping work, the intention is to seek to improve systems and processes to enable a shorter cycle time between strategic and implementation planning, including the ability to scenario plan dynamically across various resource categories. This will include helping to ensure that forecast FTEs will be able to be estimated earlier in the cycle and linked more strongly to the financial forecasts and strategic plans of the organisation.

5 FTE forecasts in the 2012/13 Budget

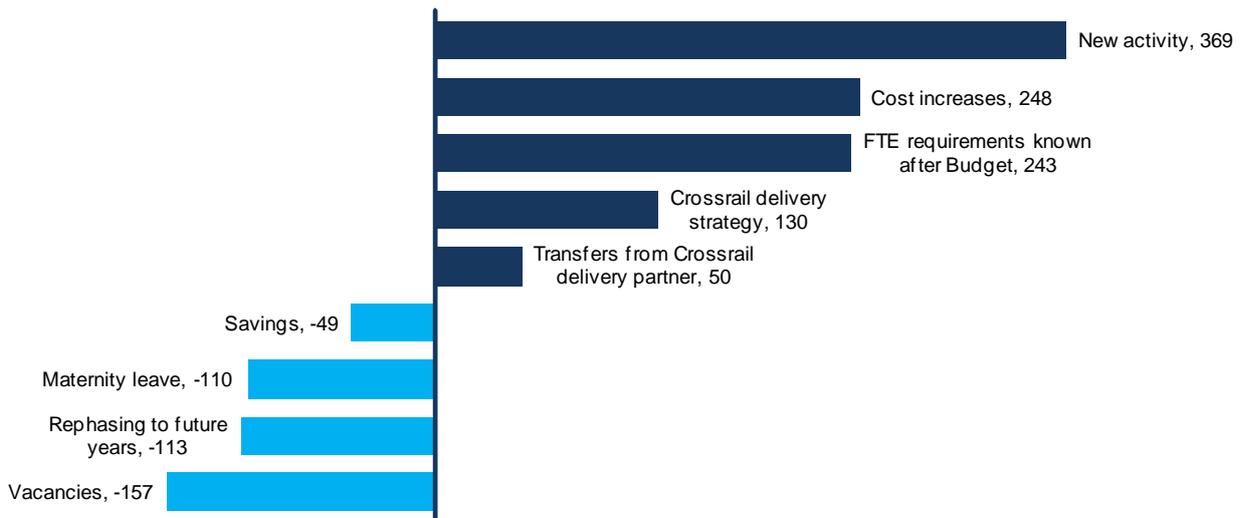
- 5.1 The TfL Budget for 2012/13 was approved by the Board on 15 March 2012. The FTE forecasts were based on the operating and capital requirements set out in the Budget. The phasing of the FTE forecasts was also based on the above and was similarly aligned to key milestones and deliverables.
- 5.2 TfL has now updated its financial and delivery assumptions to address new organisational priorities and changing internal and external circumstances. These updates were included in TfL's new Business Plan, approved by the Board and published in December 2012, and the Budget for 2013/14, published in March 2013.

6 Changes since the 2012/13 Budget

- 6.1 Since the approval of the 2012/13 Budget in March 2012, TfL has increased the number of staff it employs by 416, a variance to Budget of 607 FTE. It should be noted that while the number of FTEs has increased, this has not materially increased expenditure throughout the year.
- 6.2 The additional FTEs have been required for a number of reasons (see Figure 1, below):
- (a) new activity included and approved in TfL's latest Business Plan and approved by the Board;
 - (b) cost increases as a result of delay in some individual efficiencies, and unforeseen effects from a new Business Plan initiative;
 - (c) crystallisation of FTE requirement following the approval of the Budget, where outcomes were known, but resource requirements were not; and
 - (d) a change to the Crossrail delivery strategy.

Each of these is explained in more detail below.

Figure 1: FTE changes from Budget 2012/13 to Quarter 4, 2012/13



New activity

6.3 The primary drivers of new activity since the 2012/13 Budget was approved include:

- (a) an additional 95 project roles within Information Management (IM), working on a range of projects including updating staff desktop computers, consolidation of data storage facilities, BusNet, BACs and updating of legacy systems. The expenditure and associated FTEs for these projects were included in TfL’s latest Business Plan published in December 2012. The majority of these roles are filled on a short-term basis until the end of 2013/14;
- (b) 66 technical project staff for ticketing, communications and commercial improvements, including the next phases of the Future Ticketing Project, enhancements to Oyster online and the TfL website, and additional staff to further and secure commercial income, all included in TfL’s December 2012 Business Plan;
- (c) an additional 27 staff for the London Overground Capacity Improvement Programme (LOCIP), which was initiated in TfL’s latest Business Plan;
- (d) 34 additional staff, including traffic controllers and fault controllers, to maximise capacity on the Transport for London Road Network (TLRN). These were included in TfL’s latest Business Plan;
- (e) an additional 32 FTEs within TfL’s Commercial Directorate to support the delivery of secondary revenue targets as part of TfL’s ambitious savings and efficiencies programme. Along with the increased income targets, the additional expenditure and FTE were included in TfL’s latest Business Plan;
- (f) 55 project staff on new fleet and train projects within London Underground, with some of these works having been brought forward from earlier years. Costs were included from Quarter 1 in 2012/13 and, therefore, the number of FTEs was not known at the time of the 2012/13 Budget; and

- (g) 32 additional staff to work on the TLRN lane rental scheme. In financial terms, the lane rental scheme has a net zero financial effect on TfL as the costs are recovered from rental charges. However, following approval from the Department of Transport (DfT) the additional FTEs were included from Quarter 1 in 2012/13.

Cost increases

- 6.4 Within LU, specific efficiency and savings initiatives across fleet, trains, track and signals have been delayed leading to 140 more FTEs than budgeted. Of this over 50 additional FTEs have been required, a result of the re-profile delivery of new rolling stock; this efficiency will now be realised as the rolling stock are delivered by the end of 2014/15. A further 50 FTE efficiencies have not been realised in Signals following the re-scheduling of staff consultation until after the 2012 Games. These additional costs have been mitigated through non-staff savings ensuring there is no adverse financial effect.
- 6.5 Following the introduction of the single local-rate telephone number for Oyster enquiries, an additional 40 temporary FTEs were recruited to meet the expected increase in call volume. This requirement lessened in subsequent periods; the additional FTEs have now been removed.

FTE requirements known after Budget

- 6.6 A further 152 project FTEs have been added to work across the Underground on mid-life fleet updates, Northern Line Extension planning work, Northfields train crew accommodation, increased track renewals and the Baker Street to Bond Street tunnelling. While the expenditure was included in the 2012/13 Budget, the FTE needs of these projects were not known until after the Budget.
- 6.7 A further 54 FTEs have been employed on a number of Tube works, including the Northern line fleet refurbishment, additional track maintenance needs and temporary power resource staff. While the expenditure was included in the 2012/13 Budget, the FTE needs of these projects were not known until after the Budget.
- 6.8 29 additional staff to operate the enhanced timetable across LU, predominantly on the Central line. Costs were included in the 2012/13 Budget. However, at the time of the Budget, the full FTE impact of the improvements was not known.

Crossrail delivery strategy

- 6.9 Over 2012/13, Crossrail has developed a strategy to support and de-risk project delivery, involving enhanced control over contractor performance and further systems integration. A change to the recruitment strategy to drive value for money has led to filling new and vacant positions with directly-employed staff rather than from Programme Delivery Partners (PDP) or Programme Partners (PP). From this strategy 130 roles have been filled so far, of which 60 are permanent and 70 are on temporary contracts. These changes were approved by the Crossrail Board in March 2012, but not in time to be incorporated into the TfL Budget for 2012/13.

- 6.10 A further 50 staff, previously employed by PDP, have transferred to Crossrail to align with the above strategy. There are no adverse costs associated with this new strategy.
- 6.11 The increases in FTE have been partially offset by reduced FTE requirements from savings initiatives (49 FTE), rephasing to future years (113 FTE in total, predominantly in LU's Asset Performance Directorate), unfilled vacancies and maternity leave roles that have not been back filled.
- 6.12 Table 1 below shows the split by TfL Business Unit of the net FTE variances.

Table 1: FTE changes from Budget 2012/13 to Quarter 4, 2012/13

Full Time Equivalent (FTE) staff as of 31 March	Budget 2012/13	Changes from the Budget to Quarter 4	Quarter 4 2012/13
London Underground	18,017	43	18,061
London Rail	161	27	188
Tube Lines	2,541	214	2,755
Surface Transport	3,329	(72)	3,257
Corporate directorates	2,957	215	3,172
Crossrail	589	180	769
Total staff employed (FTE)	27,595	607	28,202

7 Non-permanent labour

- 7.1 TfL uses non-permanent labour (NPL) in specific circumstances. It is rarely used as an alternative to recruiting identified permanent vacancies. The specific circumstances for NPL use include:
- a requirement for a time-limited period, including maternity cover, short-term project work, or to cover for an internal secondee;
 - to smooth work peaks (usually restricted to less than three months);
 - where there is a skills shortage in the permanent labour market; and
 - when customer or staff safety is at risk.
- 7.2 Movements in NPL numbers are included within the total movement set out in Section 6 above. In 2012/13, the number of NPL staff (excluding Crossrail and Tube Lines, for which comparable data is not available) increased by 152, representing 36 per cent of the total increase in FTEs. The number of NPL staff reached 2,179, just under eight per cent of the total FTEs. The increase during 2012/13 was largely driven by new activity included in TfL's Business Plan, including the new project roles within IM and technical project staff for ticketing and communications improvements referenced in Section 6.3(a) above.

7.3 As a result of the increase in project activity across TfL, TfL is reviewing its use of NPL where staff with transferable skills are able to work on projects on a rolling basis. Where appropriate this may lead to a transfer of NPL roles to permanent employment during 2013/14.

8 Secondments

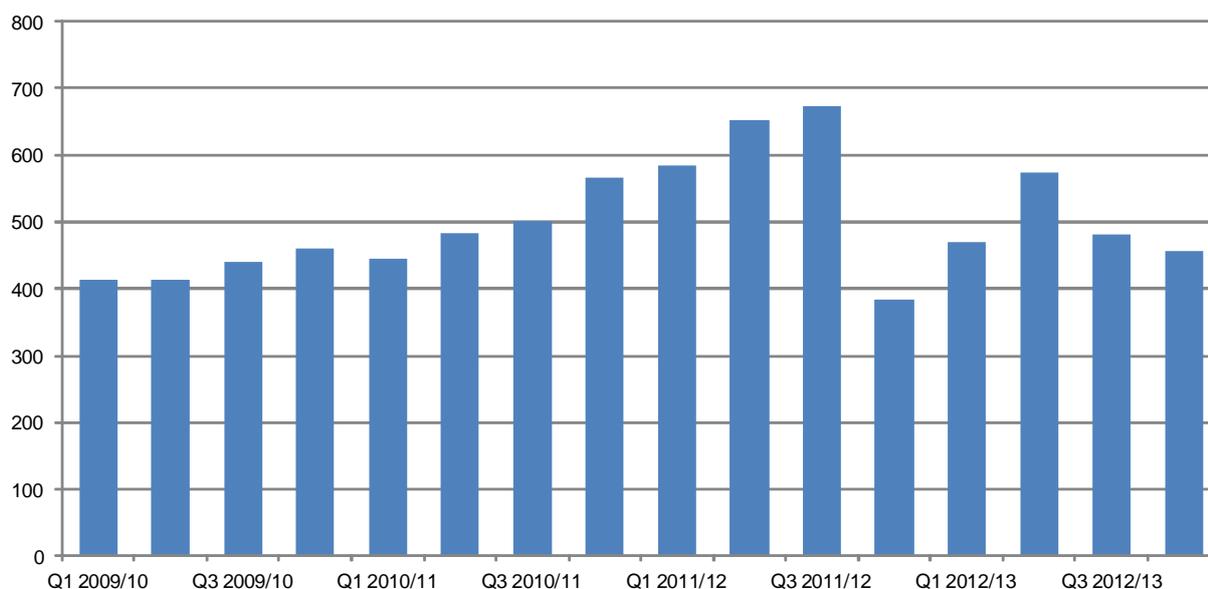
8.1 Secondments within TfL are considered for a number of reasons:

- (a) short term business need (work peak, project, illness or maternity cover); and
- (b) development opportunity, as identified in performance and development discussions.

8.2 At the end of 2012/13, the number of staff on secondments reached 455, just under 2 per cent of total FTEs. This is up on the start of the year, when the total number of staff seconded stood at 373. However, the trend shows a downward shift from its peak of 573 during the 2012 Games and a return to the levels seen before the Games.

8.3 The use of secondments saw a steady increase in 2010/11 and 2011/12 following a recruitment freeze while internal organisational structures were being determined as part of Project Horizon. TfL's redundancy policy additionally ensured that those staff facing redundancy would be prioritised in staff recruitment. The decline in the use of secondments from Quarter 3, 2011/12 was a result of the implementation of post-Horizon structures and employment requirements.

Figure 2: Number of secondees by quarter, 2009/10 – 2012/13



8.4 Current secondment opportunities account for almost 10 per cent of TfL's recruitment. The majority of secondments are to fill roles for short-term reasons, such as: while recruitment is taking place; where better value for money can be

ensured by replacing NPL; or to fill short-term needs. In addition, there have been increased secondment opportunities in both Tube Lines and Crossrail to assist with specialist or short term work packages.

- 8.5 Secondments over six months in length are used to support professional development and career opportunities, especially through a period of continuous change and differing business priorities. It is a cost effective way for staff to acquire new skills, while demonstrating flexibility and adaptability.
- 8.6 Seconded roles for a duration of longer than six months are usually managed by way of a competitive recruitment process. However, there are occasions, for example, securing resources for a project where specific skills are required, when secondments longer than six months are secured without a recruitment process. These are rare and need to be accompanied by strong rationale agreed at Director level.

9 FTE and expenditure controls

- 9.1 As outlined in Section 5.1 above, the Board approved the outcomes and associated expenditure for the 2012/13 Budget and the later Business Plan.
- 9.2 As part of its governance processes, TfL has controls in place to ensure the appropriate approval of headcount variances. When the additional FTE requirement remains within budget authority, approval is required from a 'Head of department at the lowest level. When new FTE requirements exceed the current FTE budget, approval must be granted from the appropriate Director, Finance Director or Managing Director. A clear business rationale is required. Furthermore, all roles are evaluated before any form of resourcing intervention can take place. All changes to both TfL's financial and FTE requirements are reported to both the Committee and the Board in the corresponding quarterly OFR.

10 Legal Implications

- 10.1 None

11 Financial Implications

- 11.1 None

List of appendices to this report:

Appendix 1 – FTE changes from Budget 2012/13 to end of Quarter 4, 2012/13

Appendix 2 – FTE staff as of 31 March by employee type

List of Background Papers:

Operational and Financial Performance Report – Fourth Quarter, 2012/13

Contact Officer: Steve Allen, Managing Director, Finance

Number: 020 7126 4918

Email: stephenallen@tfl.gov.uk

Appendix 1

FTE changes from Budget 2012/13 to end of Quarter 4, 2012/13

FTE changes to 31 March	Budget 2012/13 vs Quarter 4
New activity	369
Cost increases	248
FTE requirements known after Budget	243
Crossrail delivery strategy	130
Transfers from Crossrail delivery partner	50
Savings	-49
Maternity leave not back filled	-110
Rephasing to future years	-113
Vacancies	-157
Total	607

Appendix 2

FTE staff as of 31 March by employee type

FTE as of 31 March	FTE
Permanent employees	26,212
NPL	2,179
Maternity leave adjustment	(190)
Total	28,202