

Status of Report: *Public*

Meeting: **Corporate Governance Committee**

Date: **17 July 2019**

Subject: **Calculation of the Cost of Sickness Absence**

Report by: **The Chief Fire and Rescue Officer**

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For: **Information Only**

Purpose

1. To inform the Corporate Governance Committee of the options for calculating the average values of sickness to the Leicestershire Fire and Rescue Service, following a request by the Committee at its meeting on 23 January 2019.

Recommendations

2. The Committee is asked to note the content of the report.

Executive Summary

3. At its meeting on 23 January 2019, the Corporate Governance Committee discussed the cost of sickness absence and asked for a further report detailing the options available and indicative costs. This report outlines accepted methodologies (Chartered Institute of Personnel and Development (CIPD)) that can be used to calculate costs of sickness absence within Leicestershire Fire and Rescue Service. (LFRS) and details the complexities in the variances in allowances and salaries, terms and conditions applicable to certain posts within LFRS. The estimated cost of sickness to LFRS in 2018/19 was approximately £0.5m.

Background

4. Establishment numbers of whole time (WT) and support staff is based upon the provision of contractual hours of cover. Additional capacity is factored into the calculation including assumptions on absence from the workplace. This includes annual leave, sickness absence and time away from work to undertake mandatory training. The budget is set accordingly as follows:
 - a) The establishment for WT is 348 Full time equivalents with an annual salary budget of approximately £13.5m;

- b) The establishment of Support Staff is 117.5 full time equivalents with an annual salary budget of approximately £3.5m.

Sick pay conditions

5. The terms and conditions of staff contracts include salaries and allowances which form the basis of their pay. LFRS have a statutory duty to pay sick pay at the prevailing rates.

Whole Time Operational Staff

6. WT staff operate within the National Joint Council for Local Authority Fire and Rescue Services Scheme of Conditions of Service Sixth Edition 2004 (updated 2009) otherwise known as the 'Grey book.
7. The employer (LFRS) is contractually bound to pay sick pay. The entitlement is to receive full salary for a period of six months inclusive of allowances. Allowances vary due to the contract and are only applicable for 13 weeks where staff work on a specific rota pattern. Sick pay reduces to half pay after 6 months. Should the sickness arise from an injury/illness at work, the entitlement is for full pay for one year.

Support Staff

8. Support Staff operate within the National Joint Council for Local Government Services, National Agreement on Pay and Conditions of Service (updated December 2016) otherwise known as the 'Green book.
9. The employer (LFRS) is contractually bound to pay sick pay dependent upon the length of service of the employee. The maximum is for full salary for six months reducing to half pay for a further six months. This is after 5 years continuous service.

Indicative Calculation Methodology

10. There are 2 types of formula typically used in industry and referenced by the CIPD to calculate the cost of absence. Calculations use 'actual pay' to ensure that all allowances are factored in. Actual pay will include any payments for overtime. The formulas are as follows:
 - a) Average (Median) annual salary expressed as an hourly rate 'x' hours lost due to sickness;
 - b) Average (Median) annual salary 'x' number of employees multiplied by % absence rate.

11. Application of the Formula to LFRS statistics

Table 1 – Expressed as an Hourly Rate in Hours Lost					
CALCULATION FORMULA #1	Average (Median) Hourly Pay 18/19	Annual total Shifts Lost 18/19	Hours per Shift	Total Hours Lost (annual) 18/19	Indicative Cost of Sickness Absence Year 18/19
Grey Book Operational Staff	15.76	2170	12	26040	£410,390
Green Book Support Staff	13.72	907	7.4	6711.8	£92,086
TOTAL					£502,476

Table 2 – Expressed as No of Employees x % absence Rate					
CALCULATION FORMULA #2	Average (Median) Annual Salary 18/19	Number of Staff (Head count)	Total Average (Median) Annual Salary Cost 18/19	% Absence rate 18/19	Indicative Cost of Sickness Absence Year 18/19
Grey Book Operational Staff	£34,514	367	£12,666,638	3.08	£390,132
Green Book Support Staff	£26,470	122	£3,229,340	3.39	£109,475
TOTAL					£499,607

12. The calculation using either formula is similar and using 'actual' pay from year 2018/19 median average reflects the range of salaries and complexity of allowances. Not all absence is covered by over-time and our systems are not sufficiently sophisticated to indicate the over-time reason broken down to sickness absence only.

Future Reporting

13. The figures depicting the cost of sickness absence in the tables above are purely notional based on number of days absent and the average cost of a day's pay. What we do not capture is the **real** cost of absence, ie where existing staff are paid additional monies such as overtime to cover sickness absence or alternative arrangements are made such as agency staff cover.
14. Going forward, we will be exploring how easy it will be to capture such additional payments by category (ie sickness absence cover, holiday cover,

incident pressures, vacancy cover). This will enable us to understand the true cost of sickness absence as opposed to a notional calculation.

Report Implications/Impact

15. Legal (including crime and disorder)

Statutory and contractual obligations to pay sick pay.

Statutory duties under Equalities Act 2010.

All pay and conditions of service must be in accordance with the principles as set out in relevant documents:

- i) National Joint Council for Local Government Services, National Agreement on Pay and Conditions of Service (updated December 2016) otherwise known as the 'Green book
- ii) National Joint Council for Local Authority Fire and Rescue Services Scheme of Conditions of Service Sixth Edition 2004 (updated 2009) otherwise known as the 'Grey book.

16. Financial (including value for money, benefits and efficiencies)

Budget setting ensures that absence rates are factored into establishment numbers and provision set aside for over time in the event that this is required to cover service critical absence. Duration of pay due to sickness is subject to national terms and conditions of service for both operational and support staff

17. Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)

Not having enough and sufficiently skilled operational resource at the right time could impact on the delivery of services and IRMP improvement projects

18. Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

Open and transparent application of terms and conditions.

19. Environmental

None.

20. Impact upon Our Plan Objectives

Staff with the right skills behaviours and attitude to provide an excellent service and to ensure a culture of attendance and flexibility.

Officers to Contact

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