

Joint Staff Employer Forum

9 November 2006

Human Resources Best Value Review

1. Summary

- 1.1 During 2004, when a review of support services generally was put on hold, CMT and Members agreed that a review of the HR Service should proceed on the basis that there were capacity and overall efficiency issues that needed to be addressed.
- 1.2 The main objective of the Review was to ensure that the HR Service is well placed to add value to the Council overall, i.e. more with less overall resource or more with the same overall resource.
- 1.3 The Review commenced in November 2005 and is now complete. This report summarises the outcomes of the Review and makes proposals for a new delivery model for the HR Service.

2. Background

- 2.1 In September 2005 CMT agreed the terms of reference for a Best Value Review of the HR service. The key drivers for the Review were:
 - 2.1.1 The City Council's Medium Term Objectives and other key corporate priorities are likely to lead to considerable cultural and other organisational development issues that will need to be addressed over the immediate and longer term. The HR service needs to have the capacity to modernise itself to meet the challenges ahead, to lead on key people strategies and to support changes to front-line services.
 - 2.1.2 The CPA Improvement Plan includes two areas of work that remain outstanding and priorities for the HR service: Organisational Development (to ensure the Council can deliver its MTOs and longer-term objectives via continuous improvement); and Workforce Planning (to ensure the Council has the capacity and skills to deliver).
 - 2.1.3 The challenge for the Review has been to ensure that the new service delivery model is able to efficiently and effectively focus on helping the Council to achieve its strategic objectives for the benefit of the organisation as a whole, whilst recognising and where appropriate supporting, the needs of individual employees.

2.2 Key Objectives

- 2.2.1 The key objectives from the review of the HR service were:

To agree a definition of the Council's requirements of its HR Service at strategic and operational levels, given the longer term priorities for the Council.

To provide clarity for the HR staff, managers, employees and the recognised Trade Unions on their respective roles and responsibilities.

To provide a framework for the development of employment policies.

To develop costed options and supporting business cases for future HR service delivery models.

To benchmark the existing HR Service.

To establish some appropriate and meaningful key performance indicators.

To agree an action plan for implementation of the outcome of the review.

2.3 Key Components of the Review

2.3.1 The Review has been managed throughout by a Project Working Group comprising central and departmental HR and a Steering Group, incorporating the Trade Unions and an external Peer Challenger, has overseen the project's progress.

2.3.2 Between December 2005 and March 2006 the Project Working Group gathered information to help inform evaluation of various service delivery models. Their work concentrated on the following key areas:

- Collecting benchmarking data from other authorities with which to compare the City Council's HR service.
- Through a time-task analysis, establishing what activities (and to what extent) are currently undertaken by all staff who have an HR or HR administrative support function. In particular, this work has established which areas of work are the most resource intensive and where there is potential for providing services more efficiently.
- Developing criteria by which to evaluate the different service delivery models.
- Developing the service delivery model options in more detail to ensure they are capable of supporting the achievement of the Council's priorities and objectives.

2.4 HR Capacity

2.4.1 The corporate risk register contains a significant number of entries from departments within the HR category. The common themes relate to workforce planning issues, ability of HR to meet service needs, staff absence and pay. "Strategic" capacity within the existing HR Service is limited (approximately 1.1 FTE, spread across 9 posts), with insufficient resources to drive forward major corporate initiatives.

2.4.2 In order to fulfil its ambition to provide outcome focused and consistent HR advice, the current delivery model needs to change and a central "control" mechanism established.

2.4.3 We are unable to maximise potential cost and efficiency savings (by streamlining processes and taking advantage of e-solutions) through the current HR structure.

2.5 Delivery Model

- 2.5.1 A number of delivery models have been assessed against both the objectives set for the review of the HR Service and the service delivery model evaluation criteria, (attached at Appendix 1).
- 2.5.2 The results of this assessment identified a preferred delivery model as shown in the Structure Chart attached at Appendix 2.
- 2.5.3 This structure rationalises the number of HR administrative roles across the Council by 24.2 to 20.1 FTE, directing these resources to provide increased strategic focus for the Service.

2.6 Consultation

- 2.6.1 Consultation has been undertaken since the review began in November 2005 with a variety of stakeholders including the central HR team, Departmental Personnel Administrators, the Trade Unions, line managers and DMTs/CMT.
- 2.6.2 Consultation concluded recently with a series of visits to Departmental Management Teams, where the Head of Human Resources presented the outcomes of the Review, discussed the implications for each department, and worked with DMTs to resolve any outstanding issues.
- 2.6.3 Ongoing consultation with all stakeholders is incorporated into the communications strategy which forms part of the implementation plan for the new HR Service.

2.7 Implementation

- 2.7.1 Implementation is planned in phases, beginning November 2006 and ending July 2007. A detailed implementation plan has been produced, which is available as a background paper to this report. Key aspects of implementation are:
- Recruitment to the new posts in the structure, which will be filled as far as possible by existing HR staff. This process will be agreed with the Trade Unions prior to implementation beginning.
 - Implementation of the Recruitment module of ResourceLink, the City Council's HR/Payroll system which, together with the Self-Service module, will be key to the success of the new Service, enabling many HR-related transactions for staff, managers and the public to be undertaken electronically.
 - Business Process Re-engineering, which will be undertaken in conjunction with the introduction of each module of ResourceLink.
 - Training for HR staff in their new roles.
 - Training for managers to assist them in developing their people management skills.
- 2.7.2 It is recognised that to ensure successful implementation the project will need to be robustly managed and resources to achieve this have been built into the set-up costs. In line with this project management approach, a Risk Log has been

produced that identifies the key risks during implementation, together with actions necessary to mitigate these.

2.8 Monitoring Performance

2.8.1 The new HR Service will require a new Service Level Agreement and Performance Indicators, from which we will be able to transparently measure the performance of the Service. Outline performance measures have been produced, which will form the basis of a new SLA to be brought into effect on completion of implementation in July 2007.

2.8.2 Corporate measurement of the performance of the Service and the success of the new delivery model will be measured by a Staff Attitude Survey, to be conducted during 2007/8, and a proposed Internal Audit during July 2008, one year after implementation. This Audit should incorporate a review of the residual (non-HR) work remaining in departments that is currently being undertaken by Departmental Personnel Administrators and should include recommendations on whether further efficiencies can be realised at that time.

3. **Implications**

3.1 Financial

3.1.1 Appendix 3 is a projection of the corporate costs/savings that will be realised through implementation of the new Service.

3.1.2 This projection is based on the transfer of posts and accompanying funds from departments to the new service where the amount of HR activity currently undertaken (in departments) is greater than or equal to 30%.

3.1.3 It is proposed a “cash envelope” approach is used for implementation of the new Service, with set-up costs and any redundancy/early retirement costs being borne in years 1-5. This approach realises corporate savings in year 7, with ongoing savings of £14,110 p.a. These projections have been made on the basis that the new HR Service structure will remain stable for the foreseeable future.

3.1.4 It should be noted that, in order to realise the savings identified by the Review, departments will need to take responsibility for reviewing relevant structures to ensure posts with HR related tasks extracted are realigned.

3.1.5 The year 1 set-up costs include purchase of the Self-service module of ResourceLink, together with ancillary costs. These costs have been included in the overall costs of implementation as it is believed Self-service will play a critical part in ensuring the success of the new HR Service. This also avoids the necessity of making a bid to fund the purchase of Self-service outside of the Best Value Review implementation costs.

3.1.5 Budgeting for the new HR Structure

It is proposed the costs of the HR element of posts that contribute to HR activities will be transferred from departments as the corresponding functions are transferred during the key stages of implementation.

The ramifications of these budget transfers, together with any other departmental restructuring (which may be happening alongside Customer Access) will be incorporated into support service and departmental admin budget reallocations as and when appropriate.

There may be some marginal impact on the HRA/General Fund split as a result of the new HR Service recharges, but these are not expected to be significant.

3.2 Staffing

3.2.1 Redundancy/early retirement costs are shown in Appendix 3 based on both “worst” (Scenario B) and “likely” (Scenario C) cases.

3.2.2 Scenario B shows the maximum potential financial exposure, but is very unlikely given the Council’s Organisational Change & Redundancy Policy, which aims wherever possible to ensure continuous employment for staff affected by organisational change. Scenario C shows a more realistic estimate of the likely position.

3.2.3 A prediction of possible recruitment to the vacant posts in the new HR structure results in three potential redundancies. However, this does not include any opportunities presented by the effects of departmental restructuring on the remaining non-HR resources, or of possible redeployment opportunities across the whole Council. Generally speaking, 80% of employees who enter the Council’s redeployment pool (for reason of redundancy) are successfully redeployed during their notice period.

3.2.4 We are committed to working with the Trade Unions to ensure a fair and transparent process is agreed for recruitment to the HR posts within the new structure. Formal consultation with all affected staff is planned to begin soon after approval to proceed is obtained, with the intention that recruitment to new posts will be completed well in advance of start dates to provide greater certainty for individuals.

3.3 Equal Opportunities

3.3.1 The current HR service has over the past year provided resources from within existing budgets to facilitate a temporary Diversity Adviser post and this has proved instrumental in moving the Council forward in employment related diversity issues. This is not sustainable without a permanent resource and the new delivery model provides a dedicated Diversity Adviser post to continue this work.

4. pendencies

Appendix 1 - HR Service Delivery Model Evaluation Criteria

Appendix 2 - Structure Chart for new HR Service

Appendix 3 - Financial Implications of Implementation

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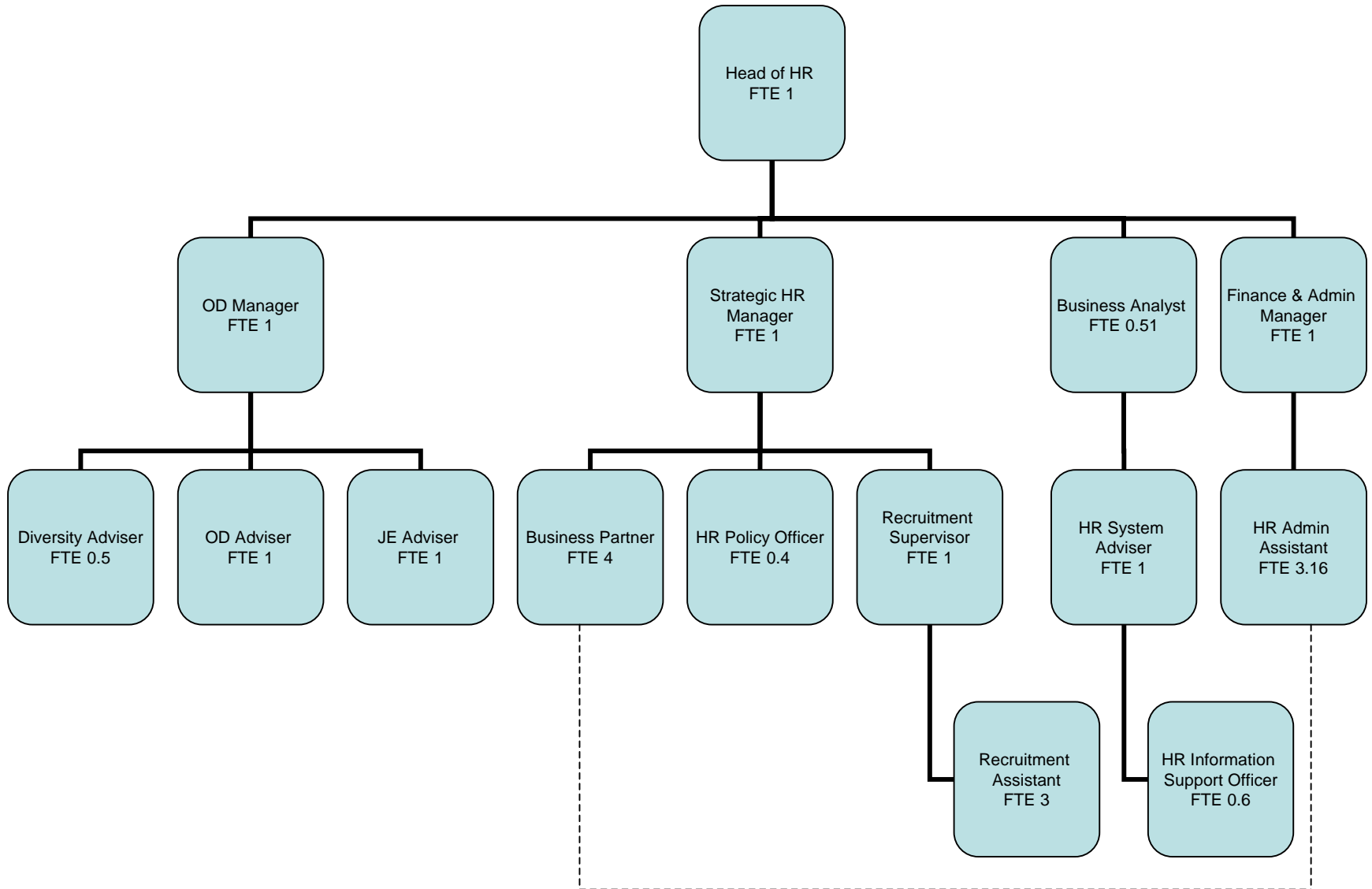
HR Service Delivery Model Evaluation Criteria

Criteria		Assessment
1. Cost	The overall cost of the Service must be the same or less than the current cost.	See Section 4 and Appendix 3 of this report for further information.
2. Added value – the service must be able to:	Operate as a strategic partner at corporate level.	The proposed delivery model incorporates strategic resources in the new roles of Organisational Development Manager and Strategic HR Manager; this will ensure that the Service operates as a strategic partner at a corporate level. In addition the HR Business Partners will work strategically within their departments with DMTs.
	Support Services at the operational level of their business.	The proposed delivery model provides HR Business Partners to support services at the operational level of their business, The HR Business Partners will have access to management information via ResourceLink and be supported by an administration function.
	Support progression against BVPIs and other agreed performance measures.	The proposed delivery model provides resources to deliver management information and to ensure the continual development of ResourceLink.
	Support achievement of the Council's Medium Term Objectives.	The proposed delivery model will enable HR to better support the achievement of the Council's Medium Term Objectives.
3. Structure – the new delivery model must:	Achieve simplification of structure, roles, responsibilities and reporting lines.	Creating a centralised Service will simplify structure, roles, responsibilities and reporting lines.
	Minimise possibility of duplication of tasks	Creating a centralised Service will reduce duplication of tasks; this will be particularly relevant to the administration function.
	Be able to support e-personnel	The proposed service delivery model provides resources to enable the purchase and implementation of the Self-Service module of ResourceLink.
	Provide opportunities for career progression, development and learning for HR staff.	Creating one Service provide greater opportunities for career progression for HR Staff.
	Be flexible and capable of change.	Bringing the Service together in one place under one budget will enable greater flexibility and capability to change as required.
	Be capable of being market-tested and potentially outsourced in the future.	Creating one Service will enable HR to be market-tested and considered for potential outsourcing in the future.
4. Accommodation	The new structure must be able to be provided	The new structure can be delivered within existing accommodation at

	within existing accommodation (at least in the short term).	Lion House , although it will be necessary to utilise some existing meeting room space. It is recommended that, to facilitate full understanding of departments' specific business needs, HR Business Partners are located in departments and it is anticipated that departments will be provide a suitable base for their HR Business Partner to work from.
5. Service delivery – the service delivery model must:	Enable an appropriate balance between proactive and reactive work.	The proposed delivery model provides a structure more capable of providing this balance. In addition, the HR Business Partners will provide a more business focused and proactive service.
	Enable an appropriate balance between strategic and operational work.	The proposed delivery model provides a structure more capable of providing this balance as it includes more strategic resources than the current HR structure.
	Deliver consistent advice and information.	Brining the service together under one structure will ensure that consistent advice and information is delivered.
	Reduce administration by the HR service and managers	BPR and the development of ResourceLink will enable the administration currently undertaken by HR and managers to be reduced. In addition, the future implementation of Self-Service will reduce paperwork and allow more e-activities to be undertaken at source.
	Deliver a professional service that is solution-focused.	The transition from HR Advisers to Business Partners will ensure that the HR Service is more business and solution focused in its people outcomes.
	Supports managers to self-serve as far as possible.	The proposed service delivery model provides resources to enable the purchase and implementation of the Self-service module of ResourceLink. In addition, revised policies and procedures and improved management information will enable managers to take informed decisions about staffing issues.
	Enables a managed approach to risk, including being less risk averse.	A more business and solution focused approach will need to include a managed approach to risk.
	Enables the continuation of a positive partnership with the Trade Unions.	The TUs have been consulted throughout and are in support of the principles of the HR Review. Delivering a consistent HR Service should only improve the partnership relationship between HR and the Unions.

	Support better focused training and development of managers	The proposed delivery model provides a dedicated OD resource for the organisation in the roles of OD Manager and a full time OD Adviser, which will lead to better focused training and development of managers.
	Enable the equalities and diversity agenda to be actively addressed.	The proposed delivery model provides a permanent resource to tackle the equalities and diversity agenda for employment, which is not available within the existing structure.
	Have the capacity to support organisational change.	The proposed delivery model provides a dedicated OD resource in the roles of OD Manager and a full time OD Adviser. This resource, together with the outcome focused roles of Business Partners, will support organisational change at all levels.
	Recognise excellence in the HR Service and encourage this in the rest of the organisation	Bringing the Service into one place will enable excellence to be identified, celebrated and promoted.
	Enable a more creative approach to service delivery.	Bringing the Service together in one place under one budget will enable greater flexibility and capability to change as required. Thus it will enable a more creative approach to service delivery.

HR Best Value Review Service Structure Chart as at 1 July 2007



HR Best Value Review - Financial Implications of Implementation

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£	£	£	£	£	£	£	£	£
Year:	0	1	2	3	4	5	6	7	8
1 Salaries Costs									
Existing HR costs	659,459	659,459	659,459	659,459	659,459	659,459	659,459	659,459	659,459
New Structure	615,126	635,126	635,126	635,126	635,126	635,126	635,126	635,126	635,126
Net (-)saving / cost	-44,333	-24,333	-24,333	-24,333	-24,333	-24,333	-24,333	-24,333	-24,333
2 Other revenue Costs									
Office costs	7,500	7,500							
Support costs	7,500	7,500							
Recruitment cover	0								
Total revenue costs	15,000	15,000	0	0	0	0	0	0	0
3 Self Service Costs									
Set up	20,895								
Ongoing		10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,221
Total Self Service Costs	20,895	10,220	10,220	10,220	10,220	10,220	10,220	10,220	10,221
A Net position	-8,438	887	-14,113	-14,113	-14,113	-14,113	-14,113	-14,113	-14,112
Cash Flow	-8,438	-7,552	-21,665	-35,779	-49,892	-64,005	-78,119	-92,232	-106,345
Payback year	net saving	net saving	net saving	net saving	net saving	net saving	net saving	net saving	net saving
4 Other Potential Costs									
Redundancy	80,744								
Early retirement	26,198	26,198	26,198	26,198	26,198				
B Potential (worst) case	98,504	27,084	12,084	12,084	12,084	-14,113	-14,113	-14,113	-14,112
Cash Flow	98,504	125,588	137,672	149,757	161,841	147,728	133,614	119,501	105,389
Payback year									
4 Other Potential Costs									
Redundancy	31,685								
Early retirement	9,967	9,967	9,967	9,967	9,967				
C Potential (likely) case	33,213	10,853	-4,147	-4,147	-4,147	-14,113	-14,113	-14,113	-14,112
Cash Flow	33,213	44,067	39,920	35,774	31,627	17,514	3,400	-10,713	-24,826
Payback year								net saving	net saving