FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

CABINET 16 July 2001

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BEST VALUE REVIEW - YEAR TWO
HUMAN RESOURCES & PERSONNEL SERVICES
FUNDAMENTAL CHALLENGE, FINAL SCOPE
AND ROUTING FOR THE REVIEW

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REPORT OF THE ASSISTANT DIRECTOR (HUMAN RESOURCES & STAFF DEVELOPMENT)

1   BACKGROUND AND PURPOSE OF REPORT

1.2 PURPOSE OF REPORT

To seek Cabinet approval to the outcome of the fundamental challenge stage of the review process, the recommended future routing of the review and the final review scope for Human Resources and Personnel Services, in accordance with the Best Value Review Process.

1.2   BACKGROUND

The background to this report is common to all other reviews.

The scope for Human Resources & Personnel Services approved by Cabinet (appendix 1) has been updated. The amendments to the original scope are shown in section 3.2 in this report.

2   RECOMMENDATIONS

Members are recommended to:

(i)   To carryout a review of the outcome of the fundamental challenge stage of the review and assure themselves that the process of Best Value has been met.

(ii)   Agree the following revisions to the scope for the review and the proposed change to _Human resource and Personnel Services_ in light of the revised scope:-

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- Justify the service costs against quality service standards
- Review the role and purpose of the service
- Challenge the rationale for current service structure and working relationships
- Challenge specific service functions including MDU, OHS, Nursery and Standby Register
- Establish robust and reliable data and information systems

(iii)   Agree that the Service Assessment route be applied.

3   REPORT

3.1   Fundamental Challenge

This stage of the Best Value Review focuses on the issue of why the Council needs Human Resource and Personnel Services within the context of any statutory requirements and the authority's published commitments contained in the Community Plan, Best Value performance plan and other key strategies together with stakeholder opinions and other relevant information.

In the case of any statutory basis for the service, the report aims to clarify mandatory requirements and any minimum requirements that will be applied.

3.1.1   Analysis of the Services

Human Resource and Personnel Services are needed to support the Council's role as an employer, with over 13,000 employees (11,616 FTE) and a staffing budget of £266 million representing 60% of the Council's total annual revenue expenditure.

The Council employs about 10% of the economically active local population.

Service	Type of service			Level of Service			Justification (Nature of Commitment e.g. ref. to Act.)
Themes	Statutory	Core Discretionar	Other Discretionar	No Change	Reduce	Decommissi	
Pay and Benefits Management		*					Equal pay Act 1970, 1983. Rehabilitation of Offenders 1974. Sex Discrimination Act, 1975, 1986

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and Conditions of Service, e.g - Pay Systems - Job Evaluation - Recruitment incentives -Conditions of Service						Race Relations Act 1976, 2000. Disability Discrimination Act 1998. Fair Employment Act 1989. Employment Act 1990. Data Protection Act 1984. Wages Act 1986. Trade Union and Labour Reform Act. Employment Protection Act, 1975, 1978, 1967. Trade Union Reform and Employment Right Act 1993. Access to Medical Records Act 1988 Employment Act 1980, 1988, 1990 Trade Union Act 1984 Trade Union and Labour Relations Act 1974, 1992. Equal Treatment EU Directive. Social Security Pensions Act 1975. Sex Discrimination Act 1986. Social Security Act Community Plan BVPP
Resourcing e.g. recruitment and selection, succession planning	*					Equal pay Act 1970, 1983. Rehabilitation of Offenders 1974. Sex Discrimination Act, 1975, 1986 Race Relations Act 1976, 2000. Disability Discrimination Act 1998. Fair Employment Act 1989. Employment Act 1990. Community Plan BVPP

Organisation Development e.g. staffing structures, job roles, cross functional activity, performance management, IIP and Business Excellence		*					Community Plan BVPP
Employee Relations e.g. - Consultation - Negotiation - Grievance - Anti-harassment & discipline - Capability - Performance Review - Attendance		*					Fair Employment Act 1989. Employment Act 1990. Trade Union and Labour Reform Act. Employment Protection Act, 1975, 1978, 1967. Trade Union Reform amd Employment Right Act 1993. Community Plan BVPP
Training and Development		*					Community Plan BVPP
Occupational Health - Health Promotion - Risk Management - Accident - Management & notification - Monitoring		*					The Health and Safety at Work Act 1974. The Office Shops and Railway Premises Act 1963. Fire Precaution Act 1971. Factories Act 1961. Construction Regulations 1985. Control of Asbestos at Hazardous to Health Regulations (COSSH) 1988, 1991, 1992. Electricity at Work Regulations 1989.
Safety Management - Health and Safety - Risk Management - Accident - Management & notification - Monitoring		*					Gas Safety Regulations 1989. Management of Health and Safety Regulations 1992. Manual Handling 1992 Display Screen Equipment 1992. Personal Protection Equipment at Work 1992. Workplace (Health and Safety at Work) Regulations 1992. Community Plan BVPP

Service							Drivers
Computerised HR Systems -personnel records - Management information - Monitoring statistics - Training records		*			5		BVPP Modernising Agenda: government's targets for Electronic Service Delivery by the year 2005
Equality and Diversity e.g. equal opportunities, policy development and application, advice, implementation and evaluation		*					Equal pay Act 1970, 1983. Rehabilitation of Offenders 1974. Sex Discrimination Act, 1975, 1986 Race Relations Act 1976, 2000. Disability Discrimination Act 1998. Equal Treatment EU Directive. Sex Discrimination Act 1986. Community Plan BVPP

HOW IS THE SERVICE CURRENTLY PROVIDED

The Council's Human resource and Personnel Services are managed and predominantly provided by staff employed directly by the council, with additional services provided from external sources (eg. some training and development).

The key themes that embrace the core role of the service as shown in the table above. The main customers of the service are elected members, directors and managers in terms of enabling them to achieve the Council's service and business objectives. The service also has an impact on the Council's role in the community in the following ways; economically as a major source of employment and income for local people and socially as an employer with a commitment to represent the social make up of the local community in terms of gender, race and disability.

How well is the service responding to the core role and addressing the key themes ?

The Council's Human resource and Personnel Services are not statutory, however they play an essential role in enabling the council to respond to an array of complex legislation, listed in the table above.

People are recognised as key assets by the Council in the following published documents :

COMMUNITY PLAN

A number of staff will be involved directly or indirectly in the development and implementation of the plan. The role of the Council as an employer with a commitment to the Community Plan is important, for example, in the way in which it embraces and acts to promote diversity and health and safety as well as addressing issues that help to raise standards of workplace education and learning and embracing broader environmental goals within the workplace.

BEST VALUE PERFORMANCE PLAN

The plan states: `our approach to managing (staff) is critical to achieving our aims and objectives'. It sets out specific goals and targets and a range of performance indicators. eg. Number of working days lost to sickness, % of senior manager posts filled by women.

RESOURCE STRATEGY (PEOPLE)

The Council has recently approved an HR strategy that aims to set out an agreed way in which the Council will manage its staff in order to achieve its aims and objectives. Further work is needed to establish a People Resource Strategy that complements the Councils stated priorities.

The Human Resource and Personnel Services include a number of departmental based service units providing mainstream personnel advice and guidance; training and development and health and safety. In addition a number of separate units provide additional services e.g., Job Shop (Town Clerk's and Corporate Resources), Nursery (Education), Standby Register (Town Clerk's & Corporate Resources), Occupational Health Service (Town Clerk's and Corporate Resources). A central based Human Resource Service unit provides corporate Personnel and Equalities policy advice and support, a Management Development Unit commission and provides management training and development and a central Health and Safety Unit provides corporate guidance and advice.

THE COSTS OF SERVICE DELIVERY

> *Please note: Figures included in this report are presented as a best estimate. Current work involving Saratoga should provide a much more detailed basis for analysis. The lack of readily available data is indicative of some of the challenges that face the service. I.e. establishing a basis for managing performance*
>
> *Comparative figures are based on benchmarks provided by Saratoga*

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The estimated total cost of People Management Services is £4.5 million. This equates to about £387 (FTE) for every employee.

HR Staffing costs amount to £2.1 million equivalent to about £181 per Council employee. (FTE) This compares with the Unitary/Metropolitan average of £208.

This initial analysis of service costs shown in Appendix 2, highlights some pertinent issues / challenges which will be considered as part of the service assessment in this review. These are included in section on 'Scope' (3.2 below) of this report. For example:

- the 'average cost per employee' varies greatly between departments
- the ratio of Personnel and training staff per employee is relatively high, although there are variations between Council departments;
- the authority spends considerably less on Corporate HR and Personnel staffing when compared to other unitary authorities.

3.1.2 **Specific issues relating to the service**

Work on the key themes require Central departmental and specific services working in an integrated and collaborative manner. Initial stakeholder research indicates a number of challenges for the service under some of the themes.

Pay and Benefits Management and Conditions of Service

- Ability of service to respond to requirements for modernised conditions of service needs to be tested
- Concern about Council's pay and grading structure; and its responsiveness to current and future service needs.
- Where is the creativity and innovation in rewarding staff?
- Concern about pay drift and maintaining paybill costs whilst continuing to attract and retain staff

Resourcing

- Concern expressed about the ability of some Council service units to attract the quantity and/or quality of applicants. Lack of flexibility in policy quoted as possible contributory factor.
- Increased reliance on temporary agency staff in some service areas, up to 40% staffing levels quoted.
- Tension between Job Shop, temporary register and service departments in terms of service standards, internal systems and degree of integration and collaboration
- Variable departmental practices, but no Council wide approach to workforce or succession planning.

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Employee Relations

- Concerns about the degree of consistency in application of policies including ability of managers to implement effectively.
- Over reliance on consultation, lack of actions and drive in new policy development and implementation.
- Lack of creativity in the development and application of policies
- Central and departmental tension evident regarding working style and arrangements.
- Consultation overload and aversion to active decision making
- Maintenance and support focus rather than challenge and change focus for the service

Organisational development (including Performance Management)

- Concern about policy review and HR ability of service to respond to changing business and service needs.
- Evidence of a big gap in managers abilities and/or orientation toward managing performance.
- Management training and development in people management and other key skills is not happening in a systematic and co-ordinated way.
- Tension around corporate approach to employee review and development system. Consistency and flexibility expressed as contributing to the problem.
- Role of HR as agent of organisational development and change needs to be more fully developed

Training and Development

- Lack of a co-ordinated Council strategy in training and development.
- Departmental practices vary tremendously.
- Implication for equalities in terms of access opportunities.
- Management Development not being addressed in a systematic, strategic manner.
- The role of MDU needs to be challenged in terms of its current operation.
- There is a need to build on some good practice and ensure consistent standards in all Council departments e.g. workplace learning.
- Opportunities for working with local suppliers e.g. Leicester University and local colleges, are not being exploited.

Occupational Health (OHS) and Health and Safety

- High level of demand placed on service
- Is the Council able to justify an In house OHS?
- Is the OHS service competitive?
- Is the Council sufficiently well resourced to deal with corporate Health and Safety issues?

Computerised HR Systems
- How well does the Council monitor and review it's £260 million investment in it's workforce?
- Does it know what it's actual level of sickness related absence is and the costs?
- How does it prioritise HR problems to be addressed without reference to people data e.g. turnover, absence, workforce profiles?
- How should it evaluate any future investment in any computerised HR system?
- How can the Council transform raw information into valuable intelligence?

Equality and Diversity
- How do the people of Leicester evaluate the Council's commitment to Equality and Diversity in the workforce?
- How well does the Council apply it's principles and convert them into meaningful actions adopted by all employees?
- How well does the Council train and prepare managers to deal with it's policy commitments within the context of increasingly competitive service demands?
- How well will the Council adopt new and creative approaches to solve long standing problems in areas such as under representation?

All of the above are drawn from stakeholder consultation. They all have a bearing on service quality and how effectiveness is judged by customers and service users.

Occupational Health, Job shop, Standby register, Nursery, Management Development Unit

- Are the above services currently configured and resourced to meet future service challenges ?
- Are they each integral to the Council's requirement for People Management Services or are any desirable rather than essential extras?
- How well do the services respond to changing customer needs, e.g. many employees have introduced voucher schemes in place of ' expensive' in-house nurseries or set up joint partnerships with private nurseries to service increased and new demands for childcare services?

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- How does the concept of a central Job Shop fit with a Council embarking on a neighbourhood based approach to the delivery of services?
- What should the role of MDU be in the context of the ever increasing demands being placed on <u>all</u> staff to continuously learn and change and update their work related knowledge and skills?
- Does the Council need its own Standby Register when there are many managers who choose to employ staff through private agencies?
- How competitive is the Council's in-house Occupational Health service compared with other external provisions?

3.1.3 Decommissioning

At this stage of the review no services have been recommended for decommissioning. However the current mode of service delivery will be subject to rigorous challenge and may lead to alternative ways of service delivery at completion of the review.

3.2 Final Scope and Strategic Direction

Given the content of this fundamental challenge report, it is proposed that the original scope (appendix 1) of the review is challenged to accommodate the following issues:

- Justify the costs of the services delivery against quality service standards.

- Reviewing the role and purposes of the service in the light of revitalising neighbourhoods, to incorporate Best Value management and greater integration where needed. eg strategic and operational level, intervening in anticipation of problems, responding with creativity and innovation, challenging established systems and rules, being solution focused and delivering against objectives.

- Challenging the rationale for current service structures and working relationships. E.g. the respective roles and responsibilities of central vs. departmental teams; reviewing roles and exploring resourcing options.

- Challenging specific service functions including MDU, OHS, nursery, standby register and `non-core` services; reviewing roles and exploring delivery options. E.g. out-sourcing, and partnerships.

- Establishing robust and reliable data and information systems that can accurately inform on service performance and continuous improvement.

Summary of challenges

- Why does the authority have such a wide range of different costs and staffing ratios between different Departments?

- Is there any correlation between staffing ratios, service costs and service quality?

- Are the current arrangements compatible with the future needs and priorities for the service?

- Are current In house services competitive?

- How well do service managers embrace Best Value management principles e.g. adopting and integrating the 4 'C's?

- How can the service embrace continuous service improvement and ensure the effective integration and collaboration needed for such a complex, cross department, multi-faceted service?

- How will the service continuously improve it's ability to listen to and understand employees and ensure a responsive service continuously changing to meet both employee and employer needs?

3.3   Routing of BV Review

All Human Resource Services in this review are recommended to be routed through service assessment. It is believed that this will enable a more detailed examination of the services concerned and a sharper focus on improvements.

The following table provides a summary of compliance for each service with the Councils Performance Management Framework together with an assessment of performance over the previous 18 months. The table identifies the following:

Service	How Commissioned	Performance Management				Route PM/SA
		Framework In place Y/N	Range PI's %cover	No. PI's	% met	

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Pay & Benefits management and Conditions of Service		N				SA
Resourcing and Employee relations		N				SA
Training & Development		N				SA
Occupational Health		N				SA
Safety Management		N				SA
Computerised HR Systems		N				SA
Equality & Diversity		N				SA

Summary in terms of the duty to deliver Best Value i.e. evidence of 4C's

Feedback from Service Managers indicate inconsistent applications of the four C`s in respective units.

Consult

A lot of evidence of regular, systematic consultation with customers, typically at least on an annual basis, sometimes more often. Some parts of the service operates a
Zero based traded service (e.g. Education to schools, Commercial Services. Central Corporate service units have more complex consultation requirements Some customers challenged the quality of consultation from some service units.

CUSTOMER FEEDBACK as a result of questionnaire to Personnel managers

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Feedback is of a partial nature and is by no means comprehensive at this stage, however whilst there are some good comments and positive feedback given for some areas, there are some areas of challenge. These include:

- The core role of HR, and the way in which it functions as a service. In particular the relationship between central and departmental units were cited as an area for attention and improvement. For example what are the implications for the service in the revitalising Neigbourhood process?.

- Clear priorities, and delivery against customer requirements needs attention.

- The ability of the service to drive forward change was questioned.

- Extending and sharing good practice was also highlighted as an area for development.

- Capacity of the service to deliver and respond to customer expectations was raised by central based staff.

- A series of in-depth one to one qualitative interviews were also held with Service managers across the authority. These raised a number of specific issues which are detailed in section 3.1.2 above and have informed the amendments to the scope.

Compare

Some internal `comparisons are developed by Service Manager but generally a lack of external benchmarking is evident.   Some. evidence of 'borrowing' from other employers and an emerging interest in developing relevant external benchmarks. Overall evidence indicates a service that may be too insular in approach.

Challenge

Some developing practices, but overall insufficient evidence to suggest that People Management regularly and systematically challenge aspects of the Council's service and business practice. Much of the core service operates to support management practice. Does it challenge the quality of that practice enough?

Compete

A lack of systematic data and problems in accessing data is evident. Some service managers have set targets in their business plans, overall however there are no targets set and agreed for the service overall. The HR strategy may need reviewing to include clear objectives or service improvement targets based on comparative better performing services from elsewhere.

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4   **FINANCIAL AND LEGAL IMPLICATIONS**

The following table illustrates a best estimate of the build up of cost for each service delivered within the scope. Reflecting:

- The minimum cost that is currently incurred in meeting a legally defined statutory minimum service.
- The cost of providing a core discretionary service
- Other additional costs incurred to enhance either a statutory or core service.

Service	Type of service			Total Budget
	Statutory Minimum Cost	Core Discretionary Cost	Other Discretionary Cost	
Pay & Benefits management and Conditions of Service		*		
Resourcing and Employee relations		*		
Organisational Development		*		
Training & Development		*		
Occupational Health		*		
Safety Management		*		
Computerised HR Systems		*		
Equality & Diversity		*		
				4.5m

Figures included in appendix 2 are presented as a best estimate. Current work involving Saratoga should provide a much more detailed basis for

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> *analysis. Comparative figures are based on benchmarks provided by Saratoga*

(a) 2% financial savings as a result of the Best Value Review
Based on best estimates, a 2% saving, as required under Best Value rules would equate to £90,000. A clear assessment to clarify the actual costs of the service will be carried out as part of the Service Assessment exercise with options presented on the likely impact of the 2% saving on the service.

(b) Reinvestment of 2%
Options for the possible reinvestment of the 2% saving will also be presented as part of the results from the Service Assessment exercise.

(c) The implications of realigning the overall spend on comparator data
The Service improvement plan will also aim to set out benchmark targets based on best practice organisations or services. Details will include projected cost and expenditure data.

5   **EQUALITIES**

Equality and diversity is a key theme of this review. In many instances equalities are interpreted across service areas, however it is proposed that the service assessment examines the effectiveness of this and the extent to which it is truly interpreted into all aspects of service delivery. This will be done in accordance with the requirements of the BV guidelines.

Consultation with key representatives of the workforce will therefore be an important part of the Service Assessment exercise. It is proposed that the mainstreaming of equalities in incorporated into the service assessment exercises.

It is also proposed that the perception of local people is sought and analysed in order that the service and it's impact on the Council's commitment to the Community Plan and the revitalisation of neighbourhoods can be evaluated. Details to be worked up as part of the service assessment exercise.

6   **SUSTAINABLE AND ENVIRONMENTAL IMPLICATIONS**

EMAS guidance will be followed on appropriately and will be incorporated into the service assessment exercise.

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EXTRACT from Cabinet report dated 9 April 01 on Scope of People Management Services

(1) What are the final recommendations for the scope and why?

I would like to recommend members support the scope of this review as detailed below and will address the stakeholder issues presented earlier in this report.

Leicester City Council aims to deliver its HR Strategy through a wide range of functions and services that include:

- Health and Safety at both a corporate and departmental level
- Occupational Health Service
- Departmental Personnel Teams including personnel support to schools
- Departmental Training & Development Teams
- Corporate Human Resources Section
- Corporate Management Development Unit
- Employment equality at both a corporate and departmental level
- The Jobshop service
- Standby Register and other employment registers applied in departments.
- Use of agencies and external People Management Service providers
- Supported Employment Scheme for Disabled Employees
- The Workplace nursery

This review will examine whether the service provided by the City Council is a good service by asking the following:

- o Are its aims clear and challenging?
- o Does it meet these aims?
- o How does its performance compare?

(From: Audit Commission, Seeing is believing)

And in addition:

- Are there other ways of providing this service?

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Breakdown of budgets, costs and ratios   **Appendix 2**

The breakdown is shown by departments for different areas of the service. Please note that comparison between all departments on a like for like basis may result in unfair comparisons e.g. some departments have a higher proportion of part time and casual staff. The inclusion of Education may be particularly misleading because of the large number of schools based staff and the large number of additional support staff who are not included in the figures. Subtotals show both the inclusion and exclusion of Education. The service assessment exercise will aim to refine the basis for meaningful measurement and comparison of costs and numbers.

Personnel and Training

Departmental Service Unit Personnel & Training	No. of Staff (FTE)	Staffing budget £	No. of Departmental Staff (approx) FTE (Actual inc. casuals)	Average cost per departmental staff member (FTE)	Benchmark Plus or minus) LCC (average)
Town Clerk's & Chief Execs` (see note 1)	9.8	259,111	568 (1,049)	£456	£280
Comm. Services (see note 2)	4.5	110,208	1161 (2,056)	£95	(£81)
Social Services (see note 3)	38	600,300	1,752 (1,984)	£343	£167
Housing	15.65	301,600	1,311 (1,401)	£230	£54
Arts & Leisure	11	217,290	621 (1,561)	£349	£173
E&D	10.5	236,080	520 (559)	£454	£278
Education (see note 4)	17.5	346,695	5,552 inc. 131 LEA (7,000 inc. 137 LEA)	£61	(£115)
Sub total	**106.95**	**£2,097,784**	**11,616 (15,746)**	**£176**	**£0**

Departmental Service Unit Personnel & Training	No. of Staff (FTE)	Staffing budget £	No. of Department al Staff (approx) FTE (Actual inc. casuals)	Average cost per departmental staff member (FTE)	Benchmark Plus or minus) LCC (average)
Sub total (excluding Education)	89	£1,751,089	6064 (8746)	£288	£0

Notes:

Note 1 – Town Clerks and Corporate Services Personnel also provides a Personnel support service to Standby register employees (approx. 500 are registered with 300 currently in contract).

Note 2 – No departmental training team

Note 3 – Social Services have substantial statutory training requirements

Note 4 - The inclusions of schools staff needs to be taken into account when making comparisons with other departments.

Personnel & training: Staff ratio for departments

Ratio of Personnel and Training Staff per FTE	
Commercial Services	1:258
Social Services	1: 49
Housing	1: 84
Arts & Leisure	1: 56
Environment & Development	1: 49
Town Clerk's	1: 52
Education	1: 325
Average Unitary figure	1:159
Average LCC figure	1:94 (includes central Personnel and Training staff)

Resource allocation: Central and Departmental

Comparison with other unitary authorities shows that the Council allocates fewer resources to central based units.

	Leicester City	Average Unitary
FTE's per Central Personnel FTE	1:691	1:297
Central Personnel staffing costs per FTE	£80	£151

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Health & Safety

The following table shows the staffing costs and ratio of Health and Safety staff (FTE) across departments. Please note, the figures are approximate and like for like comparisons should be avoided without the figures being ratified. This will be picked up by the service assessment exercise.

Health and safety departmental allocation	Costs per FTE	H & S Staff per FTE
Town Clerks	£169	1:189
Commercial Services	£39	1:580
Social Services	£15	1:1752
Housing	£19	1:1,311
Arts and Leisure	£32	1:621
Environment and Development	£79	1:260
Education	£11	1:1,544

No external benchmarking information is available to draw further comparison

Occupational Health, Job Shop, Standby Register, Nursery & Management Development Unit *(included in the original scope)*

The costs for the above in-house services are shown below:

Service	Costs of
Occupational Health	£248,187
Job Shop	£100,000
Standby Register	£90,300
Nursery	£294,116 *
Sub total	

£732,603
* Parental Income of £224.000 included.