

Leicester
City Council

**BEST VALUE MEMBERS GROUP
FREEOPS
CABINET**

17th July 02

29th July 02

HR AND PERSONNEL SERVICES BEST VALUE REVIEW

Report of the Service Director (Human Resources & Equalities)

1. Purpose of Report

To inform members of the findings of the Best Value Review for Human Resources and Personnel Services, to present the Improvement Plan and highlight the main implications of implementing the Review findings.

2. Summary and Comments on the Addendum to the attached Report

The Review recommends some fundamental changes to the Council's HR and Personnel Services, including clearer service focus, review of current HR strategy and a redirection of service resources to support the Revitalizing Neighbourhoods project.

The Members Best Value Review Working Group (18th July) requested that additional information be provided prior to the report being presented to Cabinet.

An Addendum is attached to the report in response to this request. Members are advised that in the event that they want any of redirection options as presented in the Addendum, to be further pursued, they acknowledge the likely 'structural' implications (e.g. the shift in resources to the centre). Members are advised to request a further report from the Service Director (HR and Equalities) on the implications of any of the preferred options contained in the addendum before making any firm decisions.

3. Recommendation

That Members:-

1. Agree that the main role of the Council's HR services should move to be focused as a strategic interventionist (change maker) type of service.
2. Support the proposed aims for the service and the strategic priority themes as set in 5.1 below.
3. Support the proposal to redirect at least £500,000 service resources towards:
 - Additional ICT support to improve management information
 - Training and Development to support the cultural change required in the Council
 - Improving the strategic corporate capacity of the HR function
4. Support the following changes to central HR services as set out in 5.3 below.
 - A new Corporate Learning and Development Unit to replace the Management Development Unit
 - A reconfigured Corporate Personnel function to replace the current Human Resources Unit
 - A strengthened Corporate Health & Safety function
5. Give a steer on the options for redirecting resources as set out in the Addendum and whether a further report to Cabinet is required on 'implementing redirection options'.
6. Approve the Service Improvement Plan

4. Financial and Legal Implications

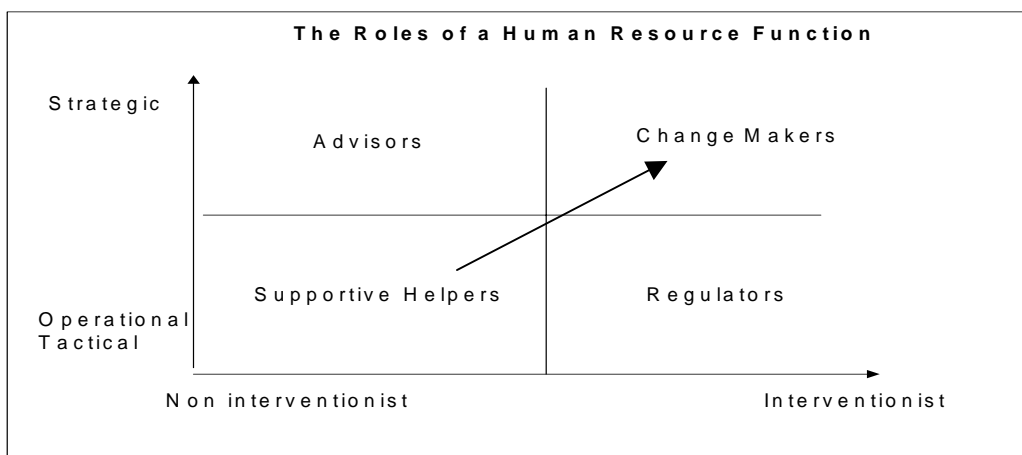
The Review established expenditure of £4.2 million on the service. Recommendations include redirection of at least £.5 million of existing resources into key service development areas. The Review has established 2% savings and implementation has begun.

5. Report

Executive Summary

5.1 Summary of Review Outcome

The fundamental issue in this review is the style of service delivery and agreement on the main role and purpose of the service.



Adapted from Story, J. Developments in Management and Human Resources 1992

The review concludes that the HR service is currently predominantly of a tactical and non –interventionist nature but needs to be more strategic and interventionist if is to provide Best Value to the Council.

This has implications for future HR strategy development, the balance of resourcing, staffing roles and responsibilities, systems and standards and style of service delivery.

5.2 Strategic development

The Council's HR strategy needs to reflect the agreed role and purpose of the service. Directors Board have agreed the following aims for the service;

- 1. To complement the Council's commitment to Revitalising Neighbourhoods*
- 2. To establish meaningful and measurable service cost data that can inform progress toward an agreed competitive service*
- 3. To establish measurable service outcomes that provide a focus for ongoing continuous service improvements*
- 4. To provide a focus for the agreed strategic service priorities to inform future resourcing decisions.*

They have also agreed the following strategic service priority themes to shape a revised HR strategy:

- Planning and preparing for future organization resourcing needs e.g. workforce planning, succession planning, co-ordinated recruitment campaigns
- Modernising industrial relations e.g. facilitating greater trust, openness, and mutual support between managers and employees and their representatives
- Modernising pay and benefit arrangements and more innovative ways of rewarding staff
- Improving performance management capabilities of staff
- Transforming culture change across the organization as an integral part of the revitalizing Neighbourhoods project.
- Learning and development as a tool to facilitate organizational change and development

A model showing the new HR strategy framework is attached at Appendix 1.

5.2 Balance of Service Resources

The Review found a predominantly decentralized service fulfilling a tactical non-interventionist role. The move toward a more strategic interventionist service will require a shift in the balance of service resources. Directors Board have agreed a redirection of some £500,000 of financial resources towards;

- Additional ICT support to improve management information
- Training and development to support the cultural changes required in the Council
- Improving the strategic corporate capacity of the HR function

5.4 Staffing roles and responsibilities

The shift in service resources will impact on staffing roles and working arrangements between service staff. Specific changes being proposed include;

- A new Corporate Learning and Development service to replace the current Management Development Unit, with a brief to provide stronger corporate leadership and direction on training and development across the Council.
- A strengthened Corporate Health and Safety function to provide professional leadership and direction
- A reconfigured Corporate Personnel function to replace the current Human Resources Unit. This will have a specific brief to lead in the following corporate areas;
 - Personnel Policy development
 - Employment equalities

- Personnel systems and standards
- Employee resourcing
- Employee Relations
- Service Communications

In addition closer joint working between departmental and central staff will be needed to ensure service resources are directed to meet agreed service priority tasks.

5.5 Systems and standards

The need for a new IT system to provide HR management information was an agreed priority to emerge from the Best Value Review. In addition, the need for the service to be more consistent in key areas.

The new service will produce a set of standards that;

- Clarify roles and responsibilities between the new central and departmental service units
- Clarify roles and responsibilities of line managers in people management
- Establish some core service quality standards e.g. response times, quality of advice etc.
- Establish some agreed organisational impact measures e.g. absence rates, turnover, workforce profile data., suitably benchmarked against competitive standards

5.6 Style of service delivery

A more strategic more interventionist service will require new types of skills and competencies for service staff. A service development programme will be developed to help staff learn about new service requirements and develop new skills.

Operational Service Improvements

5.7 In addition on a number of operational improvements are included in the Improvement Plan.

- Review of future role of the Job Shop
- Review of future role of the Standby Register
- Market test Occupational Health Service

5.8 The Review considered the impact of Equalities policy over recent years. It concluded that results were mixed and the Improvement Plan includes an evaluation of the impact of Women Into Management Initiatives (WIMI) and commitment to the new generic equalities standard.

Trade Union comments:

6.1 Trade Union have been consulted throughout the Review period. Representatives have been part of the Review Steering Group.

Responses from UNISON & GMB have been received. These are summarized below:-

- (i) There is a definite need to ensure greater consistency and continuity between departments. The number of central staff needs to be increased in order to address corporate issues. The lack of staff in the corporate centre is reflected in backlog of corporate issues. It also means that they would be unable to deal with any additional work around areas such as job evaluation.
- (ii) Training and Development has been identified as the most important service in the Saratoga consultation. There should be no cuts in expenditure on training and development. Reinvestment in Training and Development, in particular Basic Skills training (including IT skills), Job Evaluation, Recruitment and retention are preferred options.
- (iii) Greater consistency in Training and Development is important. A small core of centrally based staff to provide corporate guidance and leadership in Management standards and development, workforce developments including customer care and basic skills will hopefully lead to greater consistency. A transfer of available training funds into agreed corporate priority areas with an increase in the amount of centrally funded expenditure in those areas, along with a policy commitment to set benchmark expenditure for training and development of the equivalent of 1% of the Council's Pay bill to be achieved within 3 years, would help to underpin the commitment.

Summary and Conclusion:

In summary the Service Improvement plan should be judged against the following outcomes;

- ❖ A more strategic and unified service
- ❖ A competitive and cost sensitive service with agreed standards that underpin service performance
- ❖ A more data responsive and adaptable service
- ❖ Raising of skill levels and competencies within the Council's workforce
- ❖ More cost effective opportunities to access temporary staffing

- ❖ Improved cost and quality of Occupational Health Services
- ❖ Improve knowledge and awareness of HR services and products by managers.
- ❖ Improved skills of HR service staff
- ❖ Improved mainstreaming of HR equalities by refocusing on impact, ownership and planned outcomes.

The plan is presented in the following paper, structured as follows:-

- A - Direct and Immediate Impact and Improvement
- B - Improving an enhancing service user focus
- C - Improvements to service efficiency

DRAFT:

BEST VALUE REVIEW - HUMAN RESOURCES IMPROVEMENT PLAN

Section A: Direct and immediate impact and improvement:

Outcome	Key Tasks	Timescale	Cost & Source of funding	Responsibility	Performance Indicators
A more strategic and unified service	<p>To revise the HR strategy, as a matter of priority, to focus on the agreed strategic framework (appendix c) setting out the following service priorities to achieve the necessary step change in service delivery and impact;</p> <ul style="list-style-type: none"> ▪ Planning and preparing for future organizational resourcing needs e.g. workforce planning, succession planning, co-ordinated recruitment campaigns ▪ Modernising industrial relations e.g. facilitating greater trust, openness and mutual support between managers and employees and their representatives ▪ Modernising pay and benefits arrangements and more innovative ways of rewarding staff ▪ Improving performance management capabilities of staff ▪ Transforming culture change across the organization as an integral part of the Revitalising Neighbourhoods project. ▪ Learning and development as a tool to facilitate organizational change and development 	October 2002 (in conjunction with the new strategic direction)	Internally led with external consultancy support £10,000 from current central budgets	Service Director (HR & Equalities)	<p>New HR strategy in place to agreed timescale.</p> <ul style="list-style-type: none"> - Job satisfaction - Attendance rates - Disputes grievances and complaints - Employee turnover - Workforce representation - Internal staff movement - Employee skill levels - Management competencies - Basic skill levels - Accidents and incident levels and reporting rates
A more strategic and unified service	To improve service consistency by developing an agreed set of core standards	December 2002	Internal	Sam Maher	Consistent standards in place across the

	to underpin the delivery of the HR strategy				council within agreed timescales.
A competitive and cost sensitive service with agreed standards that underpin service performance	Review HR service base cost data and refine the comparator position of the service	September 2002	Internal	Mark Noble	Agreed like for like cost comparator data that can inform the competitive position of the service.
	To improve cost competitiveness, pending approval of strategies, HR sections to adopt a zero based budgeting process.	Up to March 2003	Internal	HR managers	Cost per employee HR staff/ employee ratios
To provide cost effective opportunities to access temporary staff.	a) <u>Job Shop</u> Review future role of Job Shop in the light of anticipated customer recruitment & resourcing needs and technological and systems capacity	April 2003	Internal	Geoff Organ	Management satisfaction Unit costs Response times
	b). <u>Standby Register</u> Review use and costs of temporary employment and use of agencies to recommend the future role and purpose of the Councils Standby Register	December 2002	Internal	Geoff Organ	
To provide a cost effective Occupational Health service to the council.	Draw up service specification, test against current service and procure (tender) service to meet agreed specification.	December 2002	Internal	Val Betteridge	Management satisfaction Unit costs. Response times
Continue to mainstream equalities but refocus priority on projects designed to achieve specific impact and/or agreed outcomes	a. Carry out authority wide audit against new generic equalities standard	April 2003	Internal	Nasreen Kaleem	Ownership of common benchmark standards by all departments
	b. Evaluate impact of WIMI and other positive action initiatives and bring forward proposals to improve representation of women in senior management	October 2002	Internal	Raj Patel	Increased representation of women at senior management level.

B: Improving and enhancing service user focus

A more strategic and unified service	<p>To continue to review key policies and to re-prioritise in the light of 1. above. Priorities to include:</p> <ul style="list-style-type: none"> ▪ revised staff appraisal scheme in the context of the Council's Performance Management Framework ▪ New pay structure, benefits and rewards policy ▪ Employee learning and development policy ▪ Workforce planning framework 	<p>April 2003</p> <p>From April 2003</p> <p>April 2003</p> <p>April 2003</p>	<p>Internally led with external consultancy support (£20,000 to support work on pay structures as previously approved by Directors Board).</p>	<p>Zafar Saleem</p> <p>Mike Powell</p> <p>Raj Patel</p> <p>Shilpa Arya</p>	<p>Tasks completed to agreed timescales;</p> <ul style="list-style-type: none"> ▪ Skills and competency levels ▪ Employee motivation ▪ Turnover ▪ Internal staff movement
	<p>To improve co-ordinated service delivery and development by requiring each directorate to secure approval for an HR strategy, to be set within the context of the corporate strategy, to include a resourcing strategy. The strategies are to be agreed with the Service Director HR</p>	<p>April 2003</p>	<p>Departmental</p>	<p>Departmental HR managers</p>	<p>Departmental HR strategies in place within agreed timescales. - Departmental measures as per Key task (Section A above)</p>
	<p>To strengthen service capacity to address agreed service priority needs, retain the currently decentralized structure but Senior Departmental Personnel, Training and Health and Safety staff to contribute to corporate work on the basis of the HR strategy and its associated priorities for action. Departmental staffing contributions to be approved and monitored by SRG through the continued development and approval of annual HR service work plans.</p>	<p>Annual work plans (April – March)</p>	<p>Internal</p>	<p>Service Director (HR & Equalities) and Service Directors (Resources).</p>	<p>Strategic priority tasks resourced to required standards and completed on time</p>
<p>To raise to the standards of skills and competencies within the city council workforce.</p>	<p>a. Appoint a new Head of Learning and Development post from currently approved established posts</p>	<p>September 2002</p>	<p>Internal</p>	<p>Service Director HR & Equalities</p>	<p>New Employee Development policy</p>

	b Head of Learning and Development to lead on corporate learning and development as part of agreed new HR strategy. Additional posts to lead on management development and workforce development agreed. Services to be commissioned from across the Council or externally. Services to be purchased by service directorates. Central funding to address agreed corporate priorities e.g. management development, basic skills, customer care etc., linked to culture change programme	New posts from April 2003	Subject to outcome of 2a and 2b.		Consistent implementation across departments leading to agreed policy outcomes
Improved knowledge and awareness of HR services and products by managers	To improve overall knowledge and awareness of HR services and products by line managers	A produce core service publications, presentations, briefings etc.	From April 2003	Internal service Communications budget (£10,000 from current budgets)	Positive feedback from managers
Service style; improved skills and competencies to support delivery of approved HR strategy	Introduce a service development programme to help service staff develop new skills to support the delivery of new strategy	From April 2003	With external support (£10,000 from service training budgets)	Ian McBride / Raj Patel	Service staff feedback, and achievement of improvement plan outcomes

C: Improvements to service efficiency

A more data responsive and adaptable service	Prioritise investment in improved IT system and, pending decisions on resourcing HR strategies, departments to fund improvements, subject to agreement on price.	Project Plan, July 2002	departments to fund, subject to agreement on price	Sam Maher	Availability of accurate and up to date management information for line managers, DMT's, elected members etc.
To raise to the standards of skills and competencies within the city council workforce	Redirection of training and development resources to support the cultural changes required by the council, avoiding unnecessary duplication of service provision.	From September 2002 initially and then from April 2003	Following review of service cost data (September 2002) and appointment of new Head of Corporate learning and Development (September 2002) and then as part of Budget setting process.	Head of Corporate Learning and Development	Improved management skills, front line service skills, basic skills etc.

6. Background to the Review

6.1 Challenge

6.2 This review challenged the contributions of the service to the Council's strategic priorities. Evidence of developed practice (e.g. in Equalities), contrasted with emerging practice (e.g. in Lifelong Learning). The capacity of the service to contribute to the Council's major strategic programme for change, Revitalising Neighbourhoods was questioned.

6.3 Evidence of organisational impact contrasted with an operational and procedural focus that diverts resources away from strategic priority issues. The review findings suggested a service that has good practice in part, but also a perception from customers of risk avoidance, a focus on process rather than outcome, a record of poor deliverability on key corporate projects and a lack of innovation - slow to respond to major change initiatives.

6.4 The lack of strategic capacity combines with a lack of clarity regarding roles and responsibilities between central and departmental units. The service is perceived as having a poor record on strategic deliverability and implementation.

6.5 The review set a number of challenging questions as part of the review. These are set out below with a summary response to have emerged from the review;

1. *Why does the authority have a range of different costs and staffing ratios between different Departments?*

The service is a predominantly devolved service with each department having its own service to meet particular needs. Some variation is due to different service requirements; however some differences reflect broader cultural factors that influence costs and staffing ratios.

2. *Is there any correlation between staffing ratios, service costs and service quality?*

The review found no clear correlation. Good practice and praise for particular services and service outcomes or impact did not appear to relate directly to costs and staffing ratios.

3. *Are the current arrangements compatible with the future needs and priorities for the service?*

The review concludes that a key improvement for the service is a clear strategic role and purpose. This will have an impact on service policy, strategy, structure, systems, staff and service goals and workplans.

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

The consultation work emphasized the need for improved service communication including regular briefings, updates etc. and consultation forums to check out customer needs.

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

The review found good practices but overall a mixed and inconsistent picture. This suggested the need for an integrated performance management framework for the service as a whole.

- 6. 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?*

Service integration needs to improve and better working between central and departmental units. Improved service work planning to reflect corporate and departmental needs and priorities is one way. A change in style of service delivery is another. Clear strategic purpose, understood and owned by service staff will underpin longer term improvement.

- 7. Are current In house services competitive? –*

Some service units appear to be very competitive, however the various costing systems used by different departmental service units means that it has been difficult to validate accurate like for like costings. Overall the review findings suggest that there is scope for improved competitive performance. However the need for redirection of service resources is a key requisite to achieving any long term and sustained improvements in competitive performance. An improved basis for accounting for service costs is a key finding to emerge from the review. This will provide the platform for departmental and corporate service units to make competitive assessments with greater confidence.

7. Compare

7.1 The costs of the service

The total Net Budget 2001/02 for business units included in the review of Human Resources and Personnel Services is £4.2 million, as summarised in the table below.

Gross Budget 2001/2002	Cost £'s	%
Employees	4,022,100	86.2%
Operating Costs	645,800	13.8%
Total controllable budget	4,667,900	100%
Income and Grants	427,000	9.1%
Net Budget	4,240,000	90.9%

Personnel Costs are £310 per FTE, the average is £295, a gap of 5%.

Training costs are £345 per FTE, the average is £267, a gap of 29%.

Table 1 sets out a breakdown of costs into the main elements of the service.

TABLE: 1 Service Unit Expenditure 2000/2001

Business Unit	Health & Safety (£k)	Training (£k)	Personnel (£k)	Other (£k)	Total Actual (£k)	Total as a % of full service expenditure	% of Total Council workforce (FTE's) in Dept.	Non control lable	Net cost	Ratio of Dept. share of full service expenditure & Dept. share of Council workforce
Arts & Leisure	32.2	176.3	200.6	-	409.1	8%	9%	(20.0)	389.1	1.125
Commercial Services	48.6	100.8	124.8	-	274.2	5%	18%	(13.7)	260.5	3.6
Education (LEA)	0	24.0	195.8	-	219.8	4%	8%	(15.0)	204.8	2.0
Environment & Development	61.9 (75%)	292.5	174.8	-	529.2	11%	9%	(58.8)	470.4	.82
Housing Department	26.6	256.9	259.3	-	542.8	11%	21%	(7.3)	535.5	1.91
Social Services	29.8	820.8	308.1	-	1,158.7	23%	27%	(48.3)	1,110.4	1.17
Town Clerk's & Corporate Resources	33.4	267.8	209	-	510.2	10%	8%	(44.6)	465.6	0.8
Management Development Section	-	252.7	-	-	252.7	28%	0%	(128.3)	124.4	
Corporate WIMI		30.0			30.0		0.0	30.0		
Occupational Health	-	-	-	160.2	160.2		(21.9)	138.3		
Central Health & Safety Unit	88.3	-	-	-	88.3		(37.1)	51.2		
Human Resources Section	-	-	522.3	-	522.3		(124.8)	397.5		
Job Shop	-	-	-	108.5	108.5		(24.0)	84.5		
Standby Register	-	-	-	161.8	161.8		(6.9)	154.9		
Total	320.8	2,221.8	1994.7	430.5	4967.8	100%	100%			

7.2 The Number of Service Staff

Table 2 summarizes service staffing (FTE) by respective Business Units. 120.95 FTE are included within the scope of the Review.

Table 2:

Business Unit - Business Unit - Note: Figures in brackets include the resources specifically assigned to schools	Health & Safety	Training	Personnel	Other	Totals	Totals as a % of full service staff	Department % of Council workforce (FTE's)	Ratio of Dept.to Personnel Staff
Arts & Leisure	1	2	7	-	10	8%	10%	1.25
Commercial Services	2	-	4.5	-	6.5	5%	18%	3.6
Education	0 (3)	-	5.75 (17.5)	-	5.75 (20.5)	5%	8%	1.6
Environment & Development	1.5	4.3	6.2	-	12.0	10%	8%	0.8
Housing	1	5.8	8.85	-	15.65	13%	20%	1.5
Social Services	1	21.8	16.2	-	39	33%	27%	0.82
Town Clerk's & Corporate Resources	1 (3)	1.0	7.8	-	9.8 (12.8)	8%	9%	1
Management Development Section	-	3	-	-	3	18%	N/A	N/A
Occupational Health	-	-	-	3	3			
Central Health & Safety Unit	1.75	-	-	-	1.75			
Human Resources Section	-	-	8	-	8			
Job Shop	-	-	-	3.5	3.5			
Standby Register	-	-	-	3.0	3.0			
Totals	9.25 (14.25)	37.9	64.3 (76.0)	9.5	120.95 (133.7)	100%	100%	

- 7.3 The ratio of departmental staff managed to departmental HR and Personnel staff employed varies considerably between 0.82 and 3.6. This equates to one member of service staff for between 43 and 179 employees between Council Departments.

Saratoga research shows Leicester City Council's position against Unitary and Metropolitan authorities as:

- One personnel FTE per 97 employees (FTE's). The average is one personnel FTE per 114 employees suggesting that the Council has 17% more Personnel staff than most comparators.
- One training staff FTE per 169 employees. The average is one training FTE for every 213 employees suggesting that the Council has 26% more training staff than most comparators.
- One safety FTE per 660 employees. The average is one for every 701 employees. This suggests that we have 6% more safety staff than most comparators.

- 7.4 The ratio of central and departmental staff compared with other Unitary and Metropolitan authorities.

Local Authorities have different arrangements for the structure and configuration of their service staff, for example some authorities have mainly 'centralised' service delivery whereas others have mainly decentralised service delivery. Saratoga based research shows that we have proportionally fewer centrally based staff compared with most other Unitary and Metropolitan authorities.

- 7.5 Key Organisational Performance Indicators

Performance of the service against recognized organizational performance indicators is generally positive. For example:

- Average pay for all Council employees is towards top quartile
- Turnover is in the top quartile, although there are some notable departmental variations (e.g. Social Services)
- Ill health retirements are very low
- Number of training days per employee are amongst the highest

A summary of Best Value Performance indicators is presented below;

Best Value Performance Indicator	Leicester City Council	Unitary median	All Local Authorities median	Performance
BVPI 11: Percentage Senior Management Posts filled by women	21.6%	27%	22%	Average
BVPI 12: Number of Working Days lost to Sickness	8.9	10.2	9.9	Average Plus
BVPI 13: Voluntary Leavers as Percentage of Staff in Post	6.1%	11.4%	10%	Very Good
BVPI 14: Early retirements (excluding ill health) as Percentage of Total Workforce	0.29%	0.33%	0.42%	Very Good
BVPI 15: Ill-health Retirements as Percentage of Total Workforce	0.16%	0.37%	0.42%	Very Good
BVPI 16: Number of staff declaring meeting DDA Definition as Percentage of Total Workforce	1.98%	1.4%	1.5%	Very Good
BVPI 17: Minority Ethnic Community Staff as Percentage of total Workforce	21%	1.4%	1.3%	Very Good

Table: Performance against BVPI comparators

7.6 The Key HR and Personnel Service Performance Indicators

Research into the use of performance indicators for showed the lack of an overall performance management framework for the service as a whole.

Services are currently predominantly of a decentralised, operational support nature. There are many different delivery points and the variations between different units in terms of practice, systems etc. was noted. This contributes to above average service costs and gaps in service delivery to meet key stakeholder needs.

7.7 Workforce representation

The table below shows the profile of the Council's workforce on ethnic, gender and disability, and the changes between 1998 and 2001. A comparison with the local population is given.

Table: Workforce Profile: Ethnicity

	1998 %	2001 %	Local Population (1991 Census)
White	73.7	73.5	72.8
Black	4.4	3.9	2.6
Asian	15.8	16.9	23.9
Other	5.9	6.7	.7

Gender	1998 %	2001 %
Men	39.5	41.1
Women	60.5	58.9

Disability	1998 %	2001 %
Disability	4.1	2

This shows that the proportion of white employees is broadly in line with the local population, the proportion of black employees has fallen slightly but remains over-represented and the proportion of Asian employees has increased over three years but still remains below the local community figures.

The balance of gender has remained at a similar level with women outnumbering men on a 3:2 ratio.

The proportion of disabled staff has fallen noticeably over the period, albeit from a lower numerical base.

The trend for Black and Asian employees at 'Senior Management' grades, shows under representation at the top two salary grades.

The trend in gender shows an overall increase in representation of men at senior level and decrease in women, although the trend is reversed at LSMG level (compared with PO4-5).

Compared with other authorities, we have a higher proportion of employees from an ethnic minority background (see BVPI's) and the percentage of senior management posts filled by women is below the

average for Unitary authorities but about average for all local authorities. The proportion of disabled staff is higher than that of most other local authorities.

The impact of Equality policies on the stated commitment of having a workforce that is broadly representative of the community served by the Council would appear to have had mixed results.

There has been a notable reduction in the number of staff complaints of harassment between 1998 and 2001

- 7.8 Salary benchmarking suggested that HR service pay rates are not working against service cost competitiveness. Any service savings would therefore need to arise from improved service efficiency.

7.9 Comparing with high performing services

To help us understand and learn from other authorities Personnel and HR services, we contacted the following authorities, both of whom received good Best Value ratings; Northumberland County Council and Kensington and Chelsea.

- 7.9.1 Northumberland County Council in a centralized service and received a 3-Star rating in their Best Value Inspection of its Personnel Service. Strengths identified were:

- Strategic focus and clear purpose
- Professional competency – a good track record
- Excellent quality standards and policies
- Highly valued by customers who found the service responsive and reliable?

- 7.9.2 Kensington and Chelsea in a decentralized service and received a 2 star rating. Strengths identified were;

- Clear strategic purpose
- Highly valued by Chief Officers and middle managers
- Advice on employee relations
- Easy access to devolved staff
- Well developed intranet site
- Developed innovative recruitment and retention schemes

8. Comparison of Services provided by Council Personnel Departments

- 8.1 The service profile shows that staffing ratios vary between departments. This means that, whilst overall staffing levels are above average, staffing levels within departmental service units vary significantly and include some 'top quartile performance figures.
- 8.2 In order to try to understand the differing staffing ratios between Departments an 'on the ground' examination of a number of Personnel Teams was undertaken to explore whether different standards or different levels of service are being applied. A key finding from this exercise was that whilst there each service tends to operate as a separate business unit with different cost and staffing structures, all teams appear to provide similar services. The variations in service provided are generally small
- 8.3 The exercise also confirmed that consistency of interpretation of HR policy and procedure is a problem. In trying to be too prescriptive and regulatory, these procedures have stifled the development of managers, to the point where the process itself has become paramount rather than the objective and outcome. For this reason, there is a need to review key policies and procedures possibly replacing them with guiding principles / service standards which, with an improvement in management skills and competencies, should free up staff to act more as sounding boards, advisers and change makers.
- 8.4 The findings suggest that necessary service efficiencies may be found by improved communication and exchanging and sharing of good practice between service department units. It is proposed that the Improvement Plan highlights the need for ongoing efficiencies against agreed benchmarks, with more exchange of good practice between different departmental units. This should also complement the need to establish core service standards applicable to all service units.

9. Consult

- 9.1 A managers survey was supplemented with a number of focus groups of service managers and employees, a number of individual meetings with senior managers and meetings with other key service stakeholders e.g. Trade Unions, Equality Advisers. No consultation was carried out with external agencies as this is predominantly an internally facing service.

The table below shows the summary in rank order of the average importance and effectiveness results of respective services:

Average Importance

Service	Service Customer Rating
Training & development	3.9
Safety Management	3.8
Equality & Diversity	3.8
Pay & Benefits management & Conditions of Service	3.8
Employee Relations	3.8
Resourcing	3.8
Organisational Development	3.7
Attendance Management	3.7
Computerised HR Systems	3.6
Occupational Health	3.5

.Note: Scores above 3.5 re considered to indicate an ‘important’ service.

Average Effectiveness

Service	Service Customer Rating
Safety Management	3.5
Equality & Diversity	3.4
Training & development	3.3
Pay & Benefits management & Conditions of Service	3.3
Employee Relations	3.1
Organisational Development	3.0
Resourcing	2.8
Attendance Management	2.8
Occupational Health	2.4
Computerised HR Systems	2.3

Note: Score above 3.5 are considered to indicate an ‘effective’ service.

The survey showed that:

- The most important service is **Training – 3.9**
- The most effective service is **Safety. – 3.5**

The following services all scored at level 3 or below on effectiveness and suggest the need for particular attention and improvement;

- Resourcing 2.8
- Organisational development 3.0
- Occupational health 2.4
- Attendance management 2.8
- Computerised HR systems 2.3

Many senior and service managers in the consultation raised the importance of effective IT support systems. By common consent current arrangements are considered to be poor and so could provide some explanation for low scores for Resourcing and Attendance management, e.g. the incapacity to provide regular standard reports on sickness and attendance figures. The lack of an effective IT system can also provide an explanation for the relatively high 'activity cost figure' e.g. personnel staff having to maintain manual information systems, double input of data and provide manual data in a variety of formats for corporate reporting requirements.

10. Compete

The Office for Public management (OPM) undertook a market analysis of alternative service providers. The three Councils outsourcing the work are reporting lower costs and improvements in service delivery. Most however still seem to be providing the service in house with a small measure of externalisation. The table below summarises the picture.

Authority	Organisational Form	OPM Key Findings
Westminster City Council	Main HR services contracted out to Capita	70% financial savings – equivalent to £70K/year Challenge in ensuring high quality of delivery
Lincolnshire County Council	Partnership with Hyder Business Services	Estimated savings of £500K/year Challenges in adapting to culture change and new ways of working
Blackburn with Darwen Borough Council	Partnership with Capita and small centralised and decentralised in-house HR teams	Higher quality in delivery because of new ways of working conditions for staff Challenges in ensuring good change management during the transition period
Bristol City Council	Mix of centralised and decentralised provision	Delivery in-house, except partnership with City of Bristol College and use of private training and development programmes
Wandsworth Borough Council	Mix of centralised and decentralised provision	Outsourced part of recruitment and training/development services to different private service providers
City of York Council	Mix of centralised and decentralised provision	Most recruitment services are delivered in-house, except advertising services Training and development services outsourced to a number of different agencies and individuals
Nottinghamshire County Council	Mix of centralised and decentralised provision	Delivery in-house, except web recruitment Current structure is under review
Bolton Metropolitan Council	Mix of centralised and decentralised provision	Most services delivered in-house, except advertising and some training and development services

The Best value review has identified service areas that are uncompetitive compared with other relevant authorities, including those that have outsourced service delivery. In addition, comparative data suggest that our operational unit costs for the following services are high:

- Pay & Benefits Management and Conditions of Service
- Resourcing
- Employee Relations
- Training and Development
- Equalities

The review has suggested that the following factors contribute to relatively high unit costs;

- Decentralised service delivery with a number of department units increasing unit costs, limited opportunities for economies of scale.
- Reliance on manual operational processes, lack of effective IT support
- Duplicate decentralised service delivery of common services e.g. delivery of management and supervisory training and development.
- Predominantly operational as opposed to strategic service focus.

Market analysis carried out by OPM indicates substantial cost savings made by authorities that have outsourced their Human Resource and Personnel Services, e.g. from £70,000 - £500,000. It is difficult to assess what the savings might be, if any, at Leicester.

However in all cases there is anecdotal evidence of service quality being adversely affected e.g. clash of cultures had adverse impact on Council HR staff and service manager's qualitative assessment of the service immediately following outsourcing.

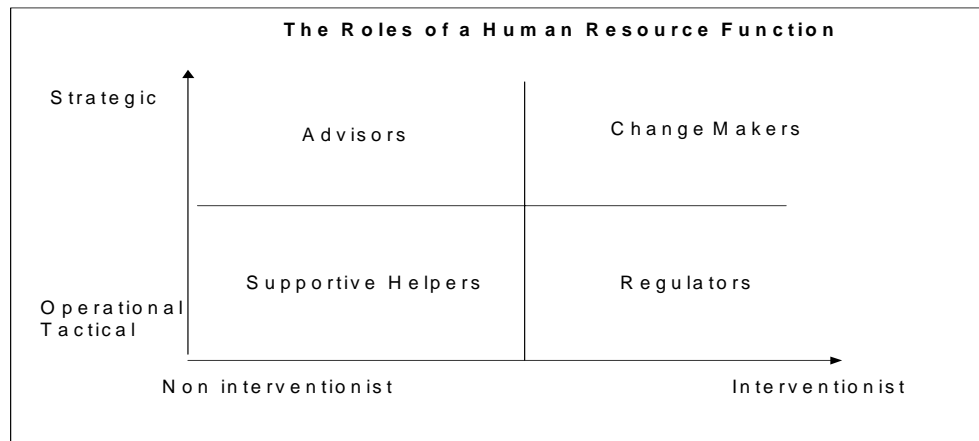
Examples of cost efficient services exist within the Council. It is considered appropriate that the service learns from Best Practice examples available 'In House'.

11. Strategic Choices on HR services

11.1 The Best Value review has highlighted some conflicting views and opinions about the main purpose of the service and the type of service that is needed for the future. The wide range of effectiveness scores may relate to the fact that scorers have different views about what the role of the service is and therefore score against different criteria. In order to improve the service effectively and ensure that resources are managed well, strategic choices on the nature and type of the service needed for the future should be considered and ultimately agreed upon.

11.2 Three key questions have been posed to select the choice of service;

- What type of HR service do we need in the future?
- What are the implications for service resources?
- What is the preferred choice for procuring the services in the future?



Adapted from Story, J. Developments in Management and Human Resources 1992

11.3 The model proposes that the service can be focused around choices about the extent to which the service should have a strategic versus an operational focus, and an interventionist versus a non-interventionist focus. Another way of looking at the model is that a service that is resourced to provide the 'supportive helper' role will be less likely to add much value if the service customers need a more 'Strategic Advisory' or 'Change Maker' role. Each of the four quadrants reflects a different type of service as summarised below;

Operational/Tactical:

Regulator (interventionist), i.e. a service that predominantly regulates operational activities and behaviour through rules and systems.

Supportive Helper (non-interventionist), i.e. a service that exists to give line managers advice and comfort at the day to day level.

Strategic

Adviser (non- interventionist), i.e. a service working to support line managers' interventions.

Change Maker (interventionist), i.e. a service working to bring about organisational change and effectiveness.

- 11.4 There are a range of views; many managers value the supportive helper and need regular help and support to deal with people management problems, Trade Unions have referred to the need for greater regulation of operational activities through rules and systems and some local service managers want a service to work in support of local strategic interventions.

Conclusions

- 11.5 Directors Board have indicated their preference for a more strategic and more interventionist type of service but have acknowledged that this will also require a redirection of service resources into the following areas;

- Additional ICT support to improve management information
- Training and development to support the cultural changes required in the Council
- Improving the strategic corporate capacity of the HR function

- 11.6 Whilst overall service costs indicate capacity to facilitate such a transfer, it has been acknowledged that departments account for their service costs in different ways and therefore the Chief Finance Officer has been commissioned to undertake an 'urgent incisive review of the base data to refine the comparator position of the service'.

- 11.7 In addition a number of operational service improvements have been identified as part of the Service Improvement Plan.

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Appendix 1

Leicester City Council: Human Resource Management Strategy Framework



