



Leicester
City Council

**WARDS AFFECTED
(All Wards)**

**BEST VALUE WORKING GROUP
CABINET**

29th JULY 02

BEST VALUE REVIEW OF HUMAN RESOURCES AND PERSONNEL MANAGEMENT

Report of Service Director (Human Resources & Equalities)

ADDENDUM

Introduction:

The Members Best Value Review Working Group (18th July 02) requested that additional information be provided on the following issues prior to the report being presented to Cabinet.

1. Private Sector Comparisons:-
 - Structure
 - Costs
2. Northumberland County Council. Additional information
3. Outcomes from proposed Strategic Priority themes
4. Calculating the £500,000 for redirection
5. Redirection Options
6. Links with other Best Value Reviews

1. Private Sector Comparisons Structure

Structures:

Comparisons of structural form included the following organisations:-

- Boots
- Aptus (formerly Initial Services)
- PWC
- CGNU
- Lloyds/TSB

- Boots –** Divisional structure with no Corporate Centre. Each division has own team with 3 HR heads – Resources, development and Employee Relations. No equality Officer. Training Unit in each division, Health and Safety Officer in each division. Devolved Organisational Culture.
- Aptus -** Centralized structure – 6 staff covering 260 permanent employees plus many agency people. No Equalities Officer. Central training – 5
Health & Safety – 2 staff.
Standards against which service is measured include – ET cases and budgets
- PWC/GNU-** Service Centre. ‘One Stop Shop’ utilising ‘ On-Line’ services, intranet etc. Result of major restructuring for cost reduction and business efficiency reasons. Substantial reduction in number of professional staff.
- Lloyds/TSB** Has adopted a ‘resource pooling’ approach to HR following merger of two banks. This involves Senior “HR partners” working with the MDs of individual business units on strategic people management issues.
- Other Personnel and training staff are now based in a central resource pool.
- Service model similar to Service centre approach (above). Personnel queries dealt with consistently from single source.

Costs:

Comparison of service costs per FTE with Public and Private Sector

	Median £	Top Quartile £
Unitary and Met.	288	241
All Public Sector	337	258
UK Private Sector	671	395
Leicester City Council	310	

Source: HR Index Benchmarks 2002/3 (E.P. First – Saratoga)

2. Northumberland County Council:

A mainly centralized HR service’ but the three largest departments (Education, Social Services and Operational Services) have their own staff to

deal with Recruitment, Issuing of contracts and related Personnel and Payroll administration.

Best Value Inspection found they had the 3rd lowest costs of Personnel but the second highest number of Personnel staff to FTE, compared to similar authorities in the North East Region.

Comparison with Leicester City Council:

	Northumberland	Leicester
Net Revenue Budget:	£252 million	£312 million
Number of FTE	8,273	13,000
Number of Central HR Staff	45.5	15.75

3. Outcomes from Agreed Strategic Priority Themes:

The HR Strategy framework, included in the Final Report proposes that the impact of the new Strategy will be measured and evaluated against the following criteria.

Impact	Measure
-Employee motivation	<ul style="list-style-type: none"> - Job satisfaction index - Absence and attendance rates - Numbers and trends of disputes, grievances and employee complaints
- Employee commitment	<ul style="list-style-type: none"> - Employee turnover - Workforce representation - Internal staff movements, promotion etc.
- Skills acquisition and development	<ul style="list-style-type: none"> - Basic skills levels - Occupational standards in key service areas e.g. customer service - Management skills and competencies
- Working Environment	<ul style="list-style-type: none"> - Accident and Incident levels and reporting rates - Reported stress levels - Reported open communication by staff

Data will be obtained from the following sources:-

- Regular bi-annual employee survey
- Regular quarterly Performance monitoring system e.g. Departmental absence rates
- Annual training and Development programme evaluation
- Annual Health & Safety report
- Best Value Performance Indicators

4. Calculating the £500,000:

The review recommends the redirection of £500,000 into agreed areas. Set out below is the basis on which that figure was arrived at. In summary the sum was arrived, at by calculating the difference between current service costs and 'top quartile service costs for Personnel and Training. It should be noted that concern has been expressed by departments over the basis on which these figures have been calculated.

Current service costs 2001/2:

	£000
Personnel	£1,900
Training	£1,800
Safety	290
Other	250
Sub-total	£ 4,240
	=====

Service costs adjusted to top quartile equivalent:

	£000
Personnel	£1,600
Training	£1,500
Safety	£ 290*
Other	£ 250*
	£3,640
	=====

* No 'top quartile' figures available

Calculating the 'difference':

	£4,240
	£3,640
Net savings equals	£600,000
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5. Redirection Options

The Members Best Value Group also requested options to redirect service costs to support agreed priorities. Three options are presented below based on Members' request for calculation based on 'top quartile' comparison and comparison based on Commercial Services costs.

Option A: - Based on £600,000 as presented above.

From Departmental Personnel	=	£300,000
Departmental Training	=	£300,000
Total	=	£600,000

Option B: - Based on adopting Commercial Services Personnel costs as 'departmental benchmark'

Current Council average	£310.00	per FTE
Commercial Services	<u>£ 95.00</u>	per FTE
Difference:	£215.00	

Number of FTE 6,433

	<u>£1,383,095</u>
Minus central HRU allocation	<u>£ 522,000</u>
Total	£861,095

Option C: - Based on combination on A & B.

Personnel contribution	=	£861,095
Training contribution		<u>£300,000</u>
Total		£1,161,095

Note:

- Staffing costs account for 86.2% of service costs, therefore, the implications of staffing displacement should be borne in mind.

Approximate numbers of staff likely to be displaced by adopting respective options.

A	-	Approx	24
B	-	Approx	35
C	-	Approx	46

- If Members are minded to support one of these options, they should be mindful of the practical difficulties that would emerge e.g. actual costs are spread between a multitude of service budgets, therefore actual transfer or redirection will be complicated given current service arrangements.

6. Links with other Best Value Reviews:

The HR Best Value Review has the following links with other service providers:-

Payroll – The proposed improvement for IT support will involve an integrated Personnel and Payroll system.

Communications - with employee communications including annual staff survey.

Vulnerable Children – Make reference to contributory costs of support services including HR.

Author of Report

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