



**RESOURCES AND CORPORATE ISSUES
SCRUTINY COMMITTEE
CABINET**

**22 JUNE 2006
26 JUNE 2006**

SUPPORT SERVICES REVIEW – BUSINESS CASE FOR HR

Report of the Chief Finance Officer

1. Introduction

1.1 The purpose of this report is to seek approval to the business case for transformational change to the Council's human resources (HR) service. The business case is attached as the supporting information to this report.

2. Background

2.1 HR has been reviewed as part of a wider review of all the Council's support services. It is part of phase one of that review, which also includes ICT, finance, legal services and creative services.

2.2 The Support Services Review is itself part of a wider business improvement programme, which aims to improve the Council's business efficiency, enhance our focus on the customer and save money by making efficiency savings.

2.3 HR is the first service to complete the initial phase of the review, resulting in a business case for change. The proposals have been widely available since 29 March, and the business case has been revised to reflect some of the (many) comments received.

3. Process

3.1 The first stage of the HR review was to identify a best practice model which recognises the strategic importance of HR to a high performing organisation, and makes best possible use of modern technology.

3.2 The second stage was to test the suitability of this approach to the City Council. This was done by analysing our present HR function, comparing it with that of other authorities and with case studies of what other authorities are doing, and establishing what could be achieved by virtue of the Council's recent investment in a new HR/payroll system.

4. Why Change

- 4.1 The Council's present model of HR is predominantly decentralised, with most HR staff located in the departments they serve. This has proved successful in providing on-site support to departments, but developments in technology mean this is no longer believed to be the optimum service configuration.

5. Key Findings

- 5.1 Managers in the authority value the HR service which they receive.
- 5.2 The longstanding nature of present arrangements has led to elements of inefficiency and duplication emerging.
- 5.3 The Council's present arrangements are demonstrably expensive when compared with other local authorities.
- 5.4 A new model is emerging as the model of choice for local government. This is the shared service model, in which:
- (a) managers increasingly use technology to enter HR data to the system themselves, without filling in a form; and become less reliant on advice from personnel officers;
 - (b) administration and some advice functions are consolidated into a shared service centre for the Council as a whole;
 - (c) other functions either remain with departmental "service partners", or are consolidated into "centres of excellence", or a combination of the two;
 - (d) centres of excellence and service partners have a much stronger focus on supporting both departmental and corporate strategic change agendas than they have had in the past.
- 5.5 The Council's investment in Resourcelink leaves us well placed to consider changing to a shared service model.
- 5.6 There is scope to reflect different organisational cultures in the way a shared service model is introduced. The proposal for Leicester reflects strong support for elements of HR to remain close to the departments they serve, which is expected to result in a greater departmental "service partner" presence than would otherwise have been the case.

6. The Proposal

- 6.1 It is proposed that the Council's HR service is radically transformed, based upon a shared service model. This will include:

- (a) a shared service centre, consisting of 3 sub-teams (HR administration and information management; recruitment; and job evaluation);
 - (b) a health and safety function which reports corporately, but is largely outposted in the departments it serves (and whose H&S responsibilities it supports);
 - (c) consolidation of the Council's corporate training arrangements into a single centre of excellence (but with specialised staff development for Adults' and Children's Services Departments being provided separately, recognising the need to meet specific workforce development strategies and requirements). This does not imply corporate training arrangements will all be delivered from the same place;
 - (d) HR advisors in each department, providing accessible, high level HR advice to directorates; complemented by a small strategy and policy function in the Resources Department;
 - (e) where possible and appropriate, managers having direct access to the HR system for information, and to input data about their own workforce;
 - (f) the whole HR function being under the unified management of the service director for HR, subject to any arrangements necessary to ensure directors' statutory responsibilities can be delivered.
- 6.2 The model also involves managers becoming more self-reliant in their ability to take non-complex HR decisions. This requires a simplification, updating and review of our HR procedures which would start immediately.
- 6.3 A fundamental principle of the model is greater corporacy, and greater corporate direction for the entire service. This, however, requires the new service to fully reflect the needs and requirements of all stakeholders, and the development of new mechanisms to enable this to be demonstrated.
- 6.4 Further work will be required to consider and consult upon the HR service offered to schools under the new model, in order to provide the service that schools want. This consultation will take place as part of a wider planned consultation exercise on traded services to schools more generally. The specialised nature of the service to schools will be recognised in the configuration of the Children's Department's "service partner."

7. Consultation

- 7.1 Consultation on the draft business case commenced on 29 March 2006. On 21 April 2006, I acceded to a request from the trade unions that further consultation with staff be carried out under the protocol for organisational review (notwithstanding that proposals for definitive structures were not yet available). 2 meetings were held prior to the closing date for consultation (19 May 2006) and one subsequent to this.
- 7.2 Views of respondees are summarised in the business case; views of the Council's trade unions and the schools' forum are attached to the supporting information intact. All views received have been lodged in the members' area.
- 7.3 It is fair to say that the proposals have given rise to considerable concerns, particularly from the staff of the service. In some instances, views expressed have been accepted and the case revised accordingly. Key changes are:
- (a) acceptance that competing pressures will have an impact on implementation, particularly delays in implementation of a new job evaluation scheme which is not now expected to be complete until October 2007. This does not, however, prevent implementation from commencing immediately. Full implementation (and savings) are not envisaged to be complete until 2008/09;
 - (b) a changed approach to staff development, where original proposals for 2 corporate centres of excellence have been modified and the particular importance of workforce development in the Adults' and Children's Services Departments recognised;
 - (c) recognition that more work needs to be done at implementation in respect of the health and safety service;
 - (d) explicit recognition of the need to maintain professional input into the professional aspects of the work involved in protecting vulnerable children and adults.
- 7.4 The Council's Directors' Board was consulted on the final business case on 13 June 2006.
- 7.5 The response to the consultation has not led to a change in the direction we are proposing the Council moves in.

8. Recommendations

- 8.1 The Resources and Corporate Issues Scrutiny Committee is asked to give its views on the draft business case, so that these can guide Cabinet decisions.
- 8.2 The Cabinet is asked to:
- (a) note the case for change included in the business case;
 - (b) note the views of consultees expressed on the draft business case;
 - (c) approve the business case as the basis for moving forward on the proposed model.

9. Financial Implications

- 9.1 The support services review aims to save £2m per annum by 2008/09, to contribute to the Council's budget strategy. £1m of this is being sought by 2007/08.
- 9.2 It is anticipated that the review of HR will significantly contribute to this, and target savings of £1.2m by 2008/09 are proposed. Some savings can be anticipated in 2007/08, but this will depend on progress with implementation.
- 9.3 The review will incur implementation costs, as described more fully in the business case. It is expected that these costs will be met by sums set-aside within the existing budget for the business improvement programme. Existing resources will be diverted to work on the project wherever possible.
- 9.4 Further financial implications are provided in the business case itself.

10. Legal Implications [Peter Nicholls]

- 10.1 Implementation of the review of the HR function must be carried out in accordance with the Council's protocol for organisation and staffing change which is incorporated into local conditions of service.

11. Equalities Impact Assessment

- 11.1 The figures show that compared with the Councils workforce as a whole:
- (a) there are a disproportionately higher % of Disabled staff within the HR service;
 - (b) there are disproportionately more women and less men in the HR service (by a large margin);

- (c) there are disproportionately less white employees and more Asian and Black employees in the HR service.

11.2 There is no evidence to suggest that the proposals will have an adverse impact on particular under-represented groups; however the implementation process will need to continue to monitor this in order that ongoing equality impact assessments can be made at appropriate points in the process.

11.3 There is no evidence to suggest that the proposals will have a disproportionate impact on service users.

12. Risk Assessment

12.1 The changes proposed are substantial, and implementation will be a major organisational and cultural change programme. When coupled with the savings expectations this is inevitably a high risk project which requires effective management to succeed.

12.2 A full risk analysis is included in the business case.

13. Other Implications

<u>Other Implications</u>	<u>Yes/No</u>	<u>Paragraph References within Supporting Papers</u>
Policy	Yes	Delivery of continuous improvement in a well managed organisation is a key priority of the corporate plan.
Sustainable and Environmental	No	
Crime & Disorder	No	
Human Rights Act	No	
Elderly People/People on Low Income	No	

14. Report Author/Officer to Contact

Mark Noble, Chief Finance Officer, x7401, 14 June 2006

DECISION STATUS

Key Decision	Yes
Reason	Revenue expenditure/savings over £250,000
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)