

CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**16<sup>th</sup> DECEMBER 2010**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**Corporate Management and Finance – Lead Cabinet Member – Councillor Terry Laing**

**EIT Task and Finish Review of Human Resources**

1. Summary

This report considers the options for efficiency, improvement and transformation savings within the Human Resources Service including Health and Safety. The report sets out recommendations for a phased approach to delivering the changes required. The scope of the review and the options for efficiency savings, were considered by the Corporate, Adult Services and Social Inclusion Select Committee on 26<sup>th</sup> October and 7<sup>th</sup> December and they are supportive of the recommendations below.

2. Recommendations

It is recommended that Cabinet agree:

1. To the deletion of all vacant posts and vacant hours within the Human Resources service on previously full time posts from the establishment.
2. To review the health and well being service including the back care programme
3. To continue to explore opportunities for raising additional income including a revised Service Level Agreement with Schools in relation to the provision of the Health and Safety service
4. To investigate the possibility of partnership working with Darlington Council

3. Reasons for the Recommendations

The Efficiency, Improvement and Transformation Reviews, (EIT) is a three year programme across all the Council's activities in response to the slow down in the national economy and the impact this will have on the Borough's Medium Term Financial Plan, coupled with increased expectations and demand for services. The EIT programme's aim is to maintain high performance, continue to improve satisfaction and enable further improvement across the Borough. This report presents the outcomes of the officer lead EIT Task and Finish Review of Human Resources, following the decision of Executive Scrutiny to expedite the delivery of some of the year 3 EIT reviews to year 2.

#### 4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.**

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**SUMMARY**

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**RECOMMENDATIONS**

It is recommended that Cabinet agree:

1. To the deletion of all vacant posts and vacant hours within the Human Resources service on previously full time posts from the establishment.
2. To review the health and well being service including the back care programme
3. To continue to explore opportunities for raising additional income including a revised Service Level Agreement with Schools in relation to the provision of the Health and Safety service
4. To investigate the possibility of partnership working with Darlington Council

**DETAIL**

1. The Resource Allocation for the HR service is £1,563,000 though this funds a number of posts costing £154,000 which fall within the scope of the Admin EIT Review. The baseline for the HR EIT Review is therefore £1,409,000 and a target of 15% savings amounting to £210,000 is sought. The service already has an efficiency savings target in 11/12 of £112,000 and the proposals in this report will achieve that target as well delivering the EIT Review savings. Total savings of £322,000 are therefore being sought, equating to a total of 22.85%. The HR budget includes the cost of the occupational health service which is externally provided and the corporate training programme, including management development where courses are externally delivered. The remaining costs relate primarily to staffing which makes up 88.54% of the total budget.
2. The service comprises 3 main areas of responsibility: organisational development, advisory services and health and safety and is delivered under a Head of Human Resources. There are 43.58 full time equivalent staff.
3. The scope of the review, the baseline position and the options for savings was considered by the Corporate, Adult Services and Social Inclusion Committee on 26<sup>th</sup> October and 7<sup>th</sup> December. The detailed information considered by the Committee is attached in **Appendix 1** to this report. To summarise, this shows that the service is well regarded by customers and has achieved a number of external awards. It provides good value for money compared with similar organisations and has played a significant role in ensuring Employment Tribunal claims are kept to a minimum with only 6 cases (excluding equal pay cases) last year.

4. A number of options for achieving the efficiency savings have been considered by the Committee and they are supportive of the proposed options. Their comments are attached as **Appendix 2** to this report. The Committee considered the impact which the current changes to the functions and finance of Local Government are having on the work of the service now and over the next 12 – 18 months, as EIT reviews are delivered. The service is currently advising managers on between 35 and 40 reviews and are spending an increasing amount of time in consultation with the Trade Unions, supporting managers to implement difficult and sometimes complex changes and providing a range of mechanisms to help employees through these changes. It is therefore recommended that a phased approach to achieving the efficiency savings required is taken. This phased approach is designed to deliver significant savings immediately whilst minimising the impact on those aspects of the service where demand is increasing.

#### **The Proposals: Phase 1**

5. To delete all vacant posts and vacant hours on previously full time posts from the establishment. This equates to 2.4 posts and will release immediate savings of £107,937, 7.6% of the total savings required.
6. To review the health and well being service including the back care programme. This would equate to a reduction in staffing of a further 2 posts, resulting in a saving of £95,198, 6.75% of the total savings required, of which £25,000 would relate to savings on Back Care Physiotherapy appointments, the budgets for which are held in other Services.
7. To continue to explore opportunities for raising additional income through the provision of services to new educational establishments and by a review of the income currently provided by the Health and Safety Service from schools which shows that this is substantially below the value of the service being provided. It is estimated that this will bring additional income of between £78,500 in 2011/12 rising to £96,576 in 2012/13, a further 6.85% of the total saving required.
8. Phase 1 would therefore equate to savings of 21.2% of the current resource allocation to Human Resources, subject to realising the additional income referred to in paragraph 7 above.

#### **Phase 2**

9. To investigate the possibility of partnership working with Darlington Council with whom some initial discussions have already been held. It is estimated that this would result in savings in the region of £200k to £300k. This would amount to a further saving of between 14% and 21%.
10. If the additional income referred to in paragraph 7 above or the partnership working with Darlington Borough Council does not materialise, then a further report will be brought to Cabinet to consider how additional savings can be achieved.

#### **FINANCIAL IMPLICATIONS**

11. Total savings of £322,000 are being sought which amount to 22.85% of the resource allocation to the Human Resources Service. This figure includes target savings of 15% and the HR efficiency target for 2011/12. The proposals under phase 1 achieve savings of 21.2% with Phase 2 potentially delivering savings of an additional 14% - 21%.

#### **LEGAL IMPLICATIONS**

12. The Review will be carried out in accordance with the Council's policies and procedures.

#### **RISK ASSESSMENT**

13. This review is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk

#### **SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS**

14. The People Strategy will contribute and support the delivery of a number of key themes within the Sustainable Community Strategy, in particular the theme of Organisational Development.

#### **EQUALITY IMPACT ASSESSMENT**

15. This report has been subject to an Equality Impact Assessment and has been judged to have a positive impact. No remedial actions are required.

#### **CONSULTATION INCLUDING WARD/COUNCILLORS**

16. There are no specific ward implications arising out of this policy. However, consultations have been undertaken with the relevant Trades Unions.

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Education related? No

#### Background Papers

Report to Corporate, Adult Services and Social Inclusion Select Committee 26<sup>th</sup> October 2010

Report to Corporate, Adult Services and Social Inclusion Select Committee 7<sup>th</sup> December 2010

## EIT Task and Finish Review of Human Resources

### EXECUTIVE SUMMARY

1. The Human Resources service was restructured in 2008 and now comprises 3 main areas of responsibility: organisational development, advisory services and health and safety. The administrative and transactional elements of the service are now part of Xentrall. Over the last 2 years the service has transformed itself and feedback shows that it is now highly regarded both within and outside the Council.
2. Staffing costs equate to 88.54 % of the budget and significant efficiencies therefore will only be achieved through a rationalisation of staffing although opportunities for additional income are being realised. Of particular concern however is the increasing pressure on the HR service in the current financial situation. Over the next 12 – 18 months, as EIT reviews are delivered, the service will spend an increasing amount of time in consultation with the Trade Unions, supporting managers to implement difficult and sometimes complex changes and providing a range of mechanisms to help employees through these changes. Although efficiency savings can be realised immediately, increased partnership working also offers a sustainable opportunity for financial savings whilst maintaining high quality service delivery. A phased approach to realising the savings is therefore proposed

### THE BASELINE POSITION

3. Human Resources comprise 43.58 full time equivalent staff (fte). These figures include 6 fte administrative staff who will be reviewed as part of the EIT Administration Review. In 2008, responsibility for transactional HR services – payroll, recruitment, contracts of employment and development of the electronic HR records system (PSE) transferred to Xentrall. The remaining service comprises 3 main areas of responsibility: organisational development, advisory services and health and safety and is delivered under a Head of Human Resources as follows:

#### Head of HR – Strategic advice

<b>Organisational Development</b>	<b>Advisory</b>	<b>Health and Safety</b>
Training & Workforce Development Management Development Occupational health The wellbeing Service Counselling Service Vaccinations Managing Attendance Business Development & information Contract Monitoring Policy Development Diversity	Advice and guidance to Council managers, 73 schools & 1 Academy Organisational reviews Employee relations Industrial relations Maternity Advice Flexible Working requests Job Evaluation Pensions Redeployment Redundancy Retirements Safe recruitment advice	Advice and guidance to Council Managers & schools Policy Development Employee Protection Register Training Audits & Inspections Appraisal of tenders Duties relating to the CDM Regs. Event safety management Educational visits Accidents and Assaults

4. In 2008, following the creation of Xentrall, the service was significantly restructured into a business partner model, providing strategic advice and working more proactively to support managers to deliver their services. Inevitably however there is still a significant need to react to requests for advice and support in respect of grievance, disciplinary, absence and service reviews. The service is based at Queensway House in Billingham.

An outline of the main areas of work undertaken by the service in 2009/10 is shown below:

Event	Numbers	Comment
Disciplinarys	102	
Grievances	36	
Capability (Performance)	20	
Capability (Ill Health)	18	Cases which have resulted in formal action or dismissal
Training Events	51	These are only the sessions delivered by HR staff). The team also commission a wide range of training such as the Management Development Programme
Attendance at Health and Well Being Events	1235	These range from cancer awareness sessions to weight loss and fitness programmes to Mental Health 1 <sup>st</sup> Aid
Number of Health and Well Being Events	30	
New / revised policies	24	A new Employee Handbook is also nearing completion
Job Evaluation Reviews / Appeals	449	All reviews now completed
Number of Jobs Evaluated	40-50 per month	
Organisational Reviews	60	These could range from a small restructure to a TUPE transfer of a significant service to a third party provider
Welfare visits	649	Support is only provided to the more complex long term cases or to employees with a number of absences
Health and Safety Training	113	1263 delegates attended in total
Health and Safety Audits	233	

### What Resources are used to provide the service?

- The Resource Allocation for the HR service is £1,563,000 though this funds a number of posts costing £154,000 which fall within the scope of the Admin EIT Review. The baseline for the HR EIT Review is therefore £1,409,000 and a target of 15% savings amounting to £210,000 is sought. The service already has an efficiency savings target in 11/12 of £112,000 and the proposals in this report will achieve that target as well delivering the EIT Review savings. Total savings of £322,000 are therefore being sought. The HR budget includes the cost of the occupational health service which is externally provided and the corporate training programme, including management development where courses are externally delivered. The remaining costs relate primarily to staffing which makes up 88.54% of the total budget.

### Consultation

- A wide range of consultation methods are utilised. The Human Resources Strategy Group, made up of 6 Heads of Service from across the Authority, meet on a monthly basis to discuss new HR policies and other developments. Their views help to shape policies and develop new areas of work. There are 2 Joint Consultative Forums, for school and non school staff made up of elected members and trade unions, including NUT, NASUWT, Voice, ATL, ASCL and NAHT, supported by HR. These are held on a quarterly basis. In addition monthly Trade Union Liaison meetings are held with Unison, GMB and Unite. A partnership agreement has been reached with Unison and Unite to help facilitate industrial relations and they have indicated that they appreciate the open

and transparent consultation mechanisms which are now in place. The annual Employee Survey results are also used to prioritise or amend policies as appropriate.

7. Staff networks have been established for ethnic minority, disabled and lesbian, gay, bisexual and transgender employees and a Recruitment and Engagement group has been established, attended by a range of third sector providers and community leaders to discuss the recruitment and engagement of hard to reach groups. The views of all these groups are used to ensure we continue to meet the needs of service users.

#### **Complaints and Commendations**

8. In 2009/10 the Service received 34 compliments. These typically relate to the promptness of response, professionalism, knowledge and skills of staff, the high standard of training courses and the quality and clarity of support provided in often difficult circumstances. Shirley Stoker, an HR Business Partner in Workforce Development was winner of the Customer Services Award 2010 and the Health and Well Being Team were highly commended for outstanding customer service. No complaints were received but all comments are noted and used to improve services in the future. A customer satisfaction survey is carried out annually in November each year. In 2009, customer satisfaction, where the service was rated as good or excellent had risen by 26% over the previous year following the reorganisation of the service. This year's survey will be sent out on 29<sup>th</sup> November.
9. The service is not subject to external inspection but does form part of the Use of Resources assessment under which the Council scored at the highest level. The Council have also been publicly recognised in areas where HR has been a major contributor:
  - Investors in People – First public sector body to have achieved the new, harder standard
  - Finalist of the Tees Valley Employer of the Year Award
  - Finalist of the National Occupational Health Awards 2010
  - North East Better Health at Work Bronze Award winners

#### **SERVICE EVALUATION AND FINDINGS**

10. Human Resources is not a statutory function although a significant element of its work is to ensure compliance with employment legislation since failure to do so can impact both on the Council's finances and on its reputation. Health and Safety law and Employment law is complex and constantly changing as legal precedents are set through Employment Tribunals and new laws and amendments to regulations are introduced. Nationally, the number of cases going to Tribunal has increased by over 50% in the last 6 years. Last year, the average award was £9,120 for unfair dismissal cases although individual awards can be considerably higher and a lost equal pay case could have massive implications for the wider workforce. Clear and up to date employment policies are also a necessary part in this process and the way in which workforce issues are dealt with is critical to keeping the numbers of Tribunal cases to a minimum. Last year the Council only had 6 claims, excluding Equal Pay cases.

#### **Core cost of the service**

11. The HR service benchmarks itself using the CIPFA benchmarking service. Figures for 2009/10 allow us to compare our costs and performance with unitary authorities of a similar size
  - The cost of providing the HR Service per employee at Stockton Borough Council is 8% cheaper than the average unitary authority (£161 at Stockton - £174 nationally)
  - The number of HR staff employed per 1000 employees is 31% less than the average unitary authority. (4.1 per 1000 employees – 6.0 per 1000 employees nationally)
  - The cost of providing Health & Safety services per employee at Stockton Borough Council is 14 % cheaper than the average unitary authority (£19.70 at Stockton - £22.80 nationally)
  - The HR service through proactive measures has been instrumental in helping the council reduce sickness rates for all staff to 9% less than the national average (9.9 days nationally; 9.07 Stockton); In the Tees Valley, Darlington (8.46) and



Redcar & Cleveland Council (8.64) have slightly lower sickness absence levels which demonstrates scope for further reductions at Stockton.

## **OPTIONS**

12. It is recommended that a phased approach to achieving the efficiency savings required is taken. This will enable the advisory service to continue to support the EIT programme and other employee changes. This approach is designed to deliver significant savings immediately whilst minimising the impact on those aspects of the service where demand is increasing.

### **Phase 1**

13. To delete all vacant posts and vacant hours on previously full time posts from the establishment. This equates to 2.4 posts and will release immediate savings of £107,937, 7.6% of the total savings required.
  14. To review the health and well being service including the back care programme. Following the recent resignation of the Well Being Advisor a review of this service shows that some responsibilities can be re-allocated elsewhere, within the service whilst the current back care programme could be reduced through the improved use of information to employees and managers whilst still complying with the Health and Safety Regulations. It is therefore proposed that the posts of Well Being Advisor and Well Being Assistant be deleted from the establishment, resulting in a saving of £95,198, 6.75% of the total savings required, of which £25,000 would relate to savings on Back Care Physiotherapy appointments, the budgets for which are held in other Services. The impact of these changes would be:
    - a. An increase in the number of risk assessments undertaken by managers with the transfer of complex cases to Occupational Health
    - b. The transfer of health promotion events, campaigns and coordination of the service based health advocates to the Absence Management Team. This would result in a reduction in the range and number of events currently available
    - c. To limit the range of training events currently offered.
  15. To continue to explore opportunities for raising additional income. Agreement has already been reached to provide an Advisory service to the North Shore Academy and Riverside College on a trial basis and the service has also been asked to submit a proposal to a large secondary school within the Tees Valley which is currently receiving a service from a private provider. In addition a review of the income currently provided by the Health and Safety Service from schools shows that this is substantially below the value of the service being provided. The service level agreement is due for renewal on 1<sup>st</sup> April 2011 and it is therefore proposed that a more realistic charge is agreed. It is estimated that this will bring additional income of between £78,500 in 2011/12 rising to £96,576, a further 6.85% of the total saving required.
- 14 Phase 1 would therefore equate to savings of 21.2% of the current resource allocation to HR subject to realising the additional income referred to in paragraph 13 above.

### **Phase 2**

- 15 To investigate the possibility of partnership working with Darlington Council with whom some initial discussions have already been held and in respect of which the following advantages have been identified:
  - a. A service which is jointly delivered under a single Head of Human Resources will realise savings through a reduction in managerial posts and the elimination of duplication for instance in developing policies and delivering / commissioning training. It is estimated that this would result in savings in the region of £200k to £300k. This would amount to a further saving of between 14% and 21%.
  - b. Build resilience by joining 2 relatively small teams together
  - c. Provide an opportunity to investigate changes to the way in which the service is delivered, particularly through the greater use of new technology and the development of an increased level of self service and a single point of contact which would create further efficiencies.
  - d. Opportunity – one Head of HR is retiring

- e. There is already a shared service model with agreed Governance arrangements in place
  - f. There is now experience of what works well and what doesn't
  - g. There is a common IT system for HR records
  - h. It would enable Xentrall to realise additional efficiencies by synchronising HR policies and procedures
- 16 In addition to these proposals the option of externalising the service has been investigated. There are many organisations offering their services to accommodate the human resources (HR) function of a local authority. However, the majority of authorities who have opted to outsource, have shared services or enter into a strategic partnership for the transactional part of HR, where greater efficiency savings can often be realised, as we have done with the creation of Xentrall who operate the transactional side of HR. I have not therefore been able to find any reference to cost savings which relate only to the Advisory and Organisational elements of the HR service.
- 17 The National Adviser of Organisational Development and Transformation at the Local Government Improvement and Development Agency, has stated that where local authorities have outsourced the whole HR function, they are increasingly bringing back the strategic capability and that outsourcing the strategic function is generally uncommon among local authorities. This pattern has been seen within the region, for instance in Middlesbrough and South Tyneside Councils who originally outsourced the whole function but who now have an in house Organisational Development Function who provide strategic advice to their Authority. Information on benchmarking was included in the first EIT report dated 26<sup>th</sup> October and this showed that the current service does provide good value for money. This option is not therefore recommended.

## 5 Conclusions and Recommendations

- 18 The purpose of this report is to present the outcomes of the officer lead Efficiency, Improvement and Transformation (EIT) Task and Finish Review of Human Resources, following the decision of Executive Scrutiny to expedite the delivery of some of the year 3 EIT reviews to year 2. The revised framework requires the lead officer to consult with members of the select committee on the options and opportunities which exist for achieving efficiency savings and increasing income. Members are asked to consider the following recommendations which equate to total savings of between 21% and 42% subject to the identified increases in income and partnership working with Darlington Council being fully realised
1. To delete all vacant posts and vacant hours on previously full time posts from the establishment.
  2. To review the health and well being service including the back care programme
  3. To continue to explore opportunities for raising additional income including a revised Service Level Agreement with Schools in relation to the provision of the Health and Safety service
  4. To investigate the possibility of partnership working with Darlington Council

## **Comments of the Corporate, Adult Services and Social Inclusion Select Committee**

### **Baseline Information and Challenge**

Corporate, Adult Services, and Social Inclusion Select Committee received the scope and presented with baseline information at their meeting on 26 October 2010.

The Committee supported the areas of focus for the review which covers the Health and Safety service and Human Resources. In addition, Members asked that the following options should be considered:

- That charges for this service should be reviewed, and officers should explore the opportunities to promote the service to other organisations, including other local authorities.
- That the financial savings made by the reduction of sickness absence be included in the next report to the Select Committee.
- Members asked that they were kept informed about any redundancies from individual departments.

### **Options Challenge**

At its meeting on 7 December Corporate, Adult Services and Social Inclusion Select Committee was presented with the final report and recommendations for the review. Members supported the recommendations and made the following comments:

- The Committee supported seeking additional income from Service Level Agreements with schools to provide HR services, and suggested officers explore offering HR services to private schools in the area.
- It was suggested that although not all referrals to physiotherapists are work related, they may affect sickness absence. The Committee also noted the importance of monitoring potential impact on sickness absence levels.
- Members noted that further consultation and involvement of Members would be required if the service moved to further partnership working with Darlington Council.