

**REPORT TO CORPORATE
ADULT SERVICES AND
SOCIAL INCLUSION
COMMITTEE**

7th DECEMBER 2010

**REPORT OF HEAD OF HUMAN
RESOURCES**

EIT Task and Finish Review of Human Resources

1. Executive Summary

1. 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.
2. Phase 1 seeks to delete all vacant posts and vacant hours on previously full-time posts from the establishment. It is also proposed to review the health and well being service, including the back care programme which will produce additional savings. Finally, in the first phase, opportunities for additional income have been investigated and new and revised Service Level Agreements are currently under discussion.
3. Phase 2 seeks to investigate the possibility of extending the partnership working with Darlington Borough Council which will realise further efficiency savings.

2. Introduction

Background

- 4 The report presents 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 setting out the areas to be reviewed and the issues and opportunities which exist. Members are asked to consider the options and recommendations set out in this report.

Approach

- 5 The scope of the review and the baseline position were considered by the Committee on 26th October. The overall aims of the review were to identify options for future strategy, policy and service provision that will deliver efficiency savings and sustain and improve high quality outcomes for Stockton residents. Information was also provided on the costs of the service and its performance.
- 6 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

- 7 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.
- 8 The following options are presented for further consideration
 - To consider options in relation to the non filling of vacant posts and hours
 - To review the health and well being service
 - To consider options for increasing income
 - To explore partnership working with Darlington Borough Council
- 9 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. The up to date information on this will be presented verbally at the meeting.

3. Options

- 10 It is recommended that a phased approach to achieving the efficiency savings required is taken. The current changes to the functions and finance of Local Government are having a significant impact on the work of the service and 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. This phased approach is therefore designed to deliver significant savings immediately whilst minimising the impact on those aspects of the service where demand is increasing.

Phase 1

- 11 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.
- 12 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.
- 13 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 1st 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 26th October and this showed that the current service does provide good value for money. This option is not therefore recommended.

Savings realised from the reduction in sickness absence

- 18 Members also asked that the financial savings made by the reduction of sickness absence be included in the next report to the Select Committee. These are as follows:
(To follow)

5 Conclusions and Recommendations

- 19 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 further investigate the possibility of partnership working with Darlington Council

Name of Contact Officer: Julia Spittle
Post Title: Head of Human Resources

Telephone No. 01642 527016
Email Address: Julia.spittle@stockton.gov.uk