

FUTURE OF HR FUNCTION

Cabinet Member for Finance and Commissioning

Date: 5th December 2023
Agenda Item: 6
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Key Decision? NO
Local Ward N/A
Members



CABINET

1. Executive Summary

- 1.1 Our workforce is our greatest resource and the Council's Human Resources (HR) function should be at the heart of developing our organisational culture, improving belonging and increasing organisational performance. A high-performing HR function is key to us Being A Better Council and delivering on our ambitions for the district.
- 1.2 This paper reflects on how our HR function currently performs and proposes that we seek a new arrangement for our HR function moving forward.

2. Recommendations

- 2.1 That Cabinet approves the proposal set out in section 4 to seek agreement from the LWMTS Board to transfer the HR function to it.
- 2.2 That Cabinet delegates implementation of the proposal to the Cabinet Member for Finance and Commissioning, and the Chief Operating Officer subject to this remaining within Approved Budgets.

3. Background

- 3.1 In recent years our HR function has focused on delivering the basic, fundamental HR services, such as payroll, time management (including sickness and holidays), and overseeing the implementation of key HR policies such as grievance, disciplinary and performance management. The following paragraphs identify some of the key challenges and issues currently facing the HR function.
- 3.2 The Council's payroll is currently outsourced to Stoke City Council, and through this contract they also provide access to MyView which we currently utilise as our only HR system. The contract was put in place in June 2019 when we were a very different Council. The current service provided does not align with our ambitions as a Council.
 - Despite payroll being outsourced, the HR function spend a considerable amount of time, every month checking and actioning payroll, meaning resources are diverted from other strategic HR priorities. Despite this, staff and Councillors often report payment issues. Being able to accurately pay our staff and Councillors is a minimum service standard that we currently don't consistently meet.
 - The functionality we have available to us in MyView is extremely limited, focused predominately on payroll information offering limited ability to proactively manage the workforce and support organisational development. The ability to extract management information and reports is having a negative impact both on the HR function and line managers.

- 3.3 The HR function is currently heavily reliant on the knowledge and expertise of the Assistant Director for Operations, Regulation and Enforcement, who has a background in HR and currently line manages the service. This is not sustainable with the Assistant Director having a substantive role to deliver.
- 3.4 There has been a lack of transformation within the function for a number of years. There is a need to review current ways of working to increase efficiency, improve self-service and rationalise systems. This will create additional capacity to focus on added value strategic priorities. Whilst there has been some limited progress to shift the culture between HR and line managers, we need to move further and faster to enable line managers to self-serve.
- 3.5 The HR function has had limited capacity to deliver strategic HR activities, such as employee wellbeing and belonging, organisational development, learning and development, staff benefits and employee engagement. This work has been picked up by the Chief Executive and Chief Operating Officer for the last two years, with very limited support from HR.
- 3.6 We have struggled to recruit to vacancies in HR. In the last six months we have gone out to recruit for a HR Officer on three occasions and been unsuccessful.

4. Proposal

- 4.1 Given the current context of the HR function set out in sections 3, it is proposed that the best way to transform the service is to seek approval for it to be transferred to LWMTS. The following paragraphs outline the key benefits of transferring the function.
- 4.2 LWMTS has already heavily invested in its own HR function to support the approximately 150 staff who now work for the council's wholly owned company. LWMTS completed the successful TUPE of approximately 130 leisure staff in April 2023 within challenging timescales (approx. 6 weeks). As a growing company, the HR systems and processes are being designed now, fit for purpose for a modern organisation.
- 4.3 There are significant efficiencies to be had from having a combined HR function that covers both Lichfield District Council and LWMTS. Having a shared resource, will also enable a smoother transition for any agreed future transfer of staff and functions, with 'one team' leading the process. It will also offer up flexibilities in terms of staffing and trading arrangements, whilst ensuring LWMTS remains TECKAL compliant.
- 4.4 There are existing relationships, processes and data sharing agreements in place between the two HR functions. This means the LWMTS has a good understanding of the HR challenges in the Council and key existing procedures. Through the Talent Acquisition service, LWMTS already interacts with the LDC HR function on a regular basis concerning recruitment, pre-employment checks and the issuing of contracts. LWMTS has also built-up relationships with line managers within the Council through the Talent Acquisition service.
- 4.5 By transferring the function to LWMTS there is an opportunity to realise economies of scale. Both organisations are currently outsourcing their payroll to two separate payroll providers. There are other differing HR systems and platforms currently in operation. Whilst each organisation will have different offerings, there is an opportunity to rationalise system costs.
- 4.6 LWMTS is already successfully undertaking 'dual role' functions for both the Council and the Company, for example the Communications Team provides services to the Council and the Company. LWMTS would draw on this experience to support the transition and transformation of HR.
- 4.7 If the proposal is supported, LWMTS would be asked to deliver the following key transformation objectives as well as delivering effective day-to-day HR services:

- Review and transform payroll, improving the service and reducing the amount of capacity required to administer. Capital investment may be required, depending on the review findings.
- Scope out and deliver an improved HR system for LDC, that allows staff and line managers to self-serve, alongside improved management information.
- Transform our HR processes, embracing digital solutions, to allow greater self-service for staff and managers, and efficiencies.
- Support the Leadership Team to develop and deliver an ambitious People Strategy, with a focus on belonging and wellbeing, and learning and development.

4.8 A Service Level Agreement would be put in place with LWMTS, reflecting the above transformation priorities, and with mutually agreed performance measures. A key performance measure will be satisfaction with the HR function. This is not currently measured by the in-house service. The long-term trend of this measure will need to be monitored and tracked, accepting that a shift to greater self-serve and changing the relationship between HR and line managers may cause a short-term dip in satisfaction.

4.9 The Service Level Agreement will also cover data sharing agreements and stipulations regarding confidentiality. The fiduciary relationship between employees and the Council will be protected, LWMTS will be delivering a HR service on behalf of the Council.

Alternative Options	<ol style="list-style-type: none"> 1. Retain and develop the service in-house – this would lead to a missed opportunity to deliver efficiencies, with one shared service supporting both LDC and LWMTS. LDC has experienced repeated unsuccessful attempts to recruit HR professionals. This option is not recommended. 2. Outsource to a private sector provider – whilst there are other private sector providers that could offer a wide-range of HR administrative functions, strategic functions are generally not available within standard offers. If LDC pursued this option, it is highly likely we would become one of many customers and this would be reflected in the level of service received. This option would also lead to a missed opportunity to realise economies of scale with a shared service. This option is not recommended. 3. Shared service with another local authority – this has been explored, many councils are facing similar recruitment challenges with HR professionals, and entering into a shared service agreement would likely lead to LDC having to compromise on the level of service we received. This option is not recommended.
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Consultation	<ol style="list-style-type: none"> 1. Shared with Shadow Cabinet Members prior to Cabinet 2. Paper is seeking agreement to consult and engage with LWMTS 3. ELG and effected staff will be consulted with, if LWMTS agree to transfer the service
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Financial Implications	<ol style="list-style-type: none"> 1. Revenue budget for the HR function are shown below: <table border="1"> <thead> <tr> <th>HR Budgets</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>218,220</td> <td>224,770</td> <td>230,010</td> <td>235,410</td> <td>240,920</td> </tr> <tr> <td>Transport</td> <td>1,950</td> <td>1,950</td> <td>1,950</td> <td>1,950</td> <td>1,950</td> </tr> <tr> <td>Supplies and Services</td> <td>1,530</td> <td>1,530</td> <td>1,530</td> <td>1,530</td> <td>1,530</td> </tr> <tr> <td>Income</td> <td>(500)</td> <td>(500)</td> <td>(500)</td> <td>(500)</td> <td>(500)</td> </tr> <tr> <td>Third Party Payments</td> <td>33,000</td> <td>33,000</td> <td>33,000</td> <td>33,000</td> <td>33,000</td> </tr> <tr> <td>Total</td> <td>254,200</td> <td>260,750</td> <td>265,990</td> <td>271,390</td> <td>276,900</td> </tr> </tbody> </table>	HR Budgets	2023/24	2024/25	2025/26	2026/27	2027/28	Employees	218,220	224,770	230,010	235,410	240,920	Transport	1,950	1,950	1,950	1,950	1,950	Supplies and Services	1,530	1,530	1,530	1,530	1,530	Income	(500)	(500)	(500)	(500)	(500)	Third Party Payments	33,000	33,000	33,000	33,000	33,000	Total	254,200	260,750	265,990	271,390	276,900
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	<ol style="list-style-type: none"> 2. Dependent on the review of the payroll system, capital investment may be required 3. Any additional costs that cannot be managed within Approved Budgets will require further approvals in line with the MTFS Framework.
Approved by Section 151 Officer	Yes

Legal Implications	<ol style="list-style-type: none"> 1. Certain employment law provisions will apply relevant to Employment Rights Act, including formal consultation and TUPE. TUPE regulations govern the transfer of employees from one company to another. 2. ELG and effected staff will be consulted with, if LWMTS agree to transfer the service
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	<ol style="list-style-type: none"> 1. Be a good council that is: responsive and customer focussed 2. The proposals support the delivery of the Being A Better Council Programme.
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Equality, Diversity and Human Rights Implications	<ol style="list-style-type: none"> 1. To be considered as part of transfer arrangements
EIA logged by Equalities Officer	No - Equalities Officer confirmed not required.

Crime & Safety Issues	<ol style="list-style-type: none"> 1. Not applicable
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Data assessment	<ol style="list-style-type: none"> 1. Not applicable
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Environmental Impact (including Climate Change and Biodiversity).	<ol style="list-style-type: none"> 1. Not applicable
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GDPR / Privacy Impact Assessment	<ol style="list-style-type: none"> 1. A Privacy Impact Assessment has not been undertaken, however if a transfer is agreed, LDC will work with LWMTS to ensure the transfer allows both parties to remain GDPR compliant. 2. The Service Level Agreement will include stipulations for and reference to agreed processes for data sharing.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Ability to attract and retain high-quality HR staff	Likelihood: Yellow Impact: Red: Score: Red	Transferring the function will allow more flexibility in negotiating employment packages and will create a more attractive offer, in terms of working across two organisations	Likelihood: Green Impact: Green Score: Green

B	Capacity within the function to deliver strategic HR activities	Likelihood: Red Impact: Red: Score: Red	Transferring the function will create efficiencies through shared resources and transformation of processes, which will free up capacity to support strategic HR activities	Likelihood: Green Impact: Green Score: Green
C	Ability to deliver an accurate and value for money payroll	Likelihood: Yellow Impact: Yellow Score: Yellow	A key priority for the transfer will be to transform how payroll currently operates, with a view to significantly decreasing the internal resources required to manage payroll	Likelihood: Green Impact: Green Score: Green
D	Responsibilities for statutory returns and Internal and External Audit liaison are not clearly identified and create regulatory/legal issues	Likelihood: Yellow Impact: Red Score: Yellow	The Service Level Agreement will clearly identify responsibilities and provide access to Internal Audit and External Audit and other regulatory bodies. There must be full co-operation and provision of all required information by LWMTS in line with legal and organisational deadlines. LWMTS will be required to action internal and external audit findings.	Likelihood: Yellow Impact: Yellow Score: Yellow

Background documents

Any previous reports or decisions linked to this item

Relevant web links

Any links for background information which may be useful to understand the context of the report