

**REPORT TO:** POLICY AND RESOURCES COMMITTEE - 23 JANUARY 2012

**REPORT ON:** OPERATING MODEL RE-DESIGN - REVIEW OF PERSONNEL FUNCTION

**REPORT BY:** DEPUTE CHIEF EXECUTIVE (SUPPORT SERVICES)

**REPORT NO:** 29-2012

## **1.0 PURPOSE OF REPORT**

1.1 This report summarises the findings from a review of the personnel function within the Council. The review was carried out to consider whether there is a more efficient operating model which will enable the function to deliver higher value to the Council, and if so, what the implications of that might be.

## **2.0 RECOMMENDATIONS**

2.1 The report makes recommendations for:

1. a move towards a fully centralised HR business partnering operating model;
2. the renaming of the function from Personnel to Human Resources (HR) and the re-designation of the staff accordingly, e.g. from Personnel Officer to Human Resources (HR) Officer;
3. transfer-in to the central HR function of 4 departmental staff who were identified as in the main carrying out professional personnel activities and who are CIPD (Chartered Institute of Personnel and Development) qualified;
4. transfer of the post of Organisational Development Assistant to the Information and Research Team based in the Corporate Planning Section - the post is currently on loan to that section;
5. formal review of the model 12 months after implementation - around April 2013.

## **3.0 FINANCIAL IMPLICATIONS**

3.1 There are no direct and immediate financial implications from the approval of this report. However, further staff cost savings should be possible once a fully centralised model has been established and workloads can be consolidated.

## **4.0 REVIEW METHODOLOGY**

4.1 All departments were asked to complete a template identifying the posts involved in carrying out the personnel function. Interviews were conducted with the Head of Personnel, the Corporate Personnel Team Leader; the Human Resources and Corporate Services Manager (Education Dept); the Personnel Team Leader out-posted to the Social Work Dept; the Finance & Corporate Services Manager (Housing Dept); the Head of Support Services and the Admin and Finance Manager (Environment Dept). These interviews were held to gather more qualitative information in relation to the current operating model.

4.2 Research was then undertaken to identify alternative models and current trends within the field of personnel.

## **5.0 THE 'AS IS' POSITION**

5.1 Current arrangements for the personnel function are mixed across the Council.

- 5.2 The central personnel section, part of the Corporate Services Department employs 20 staff (6 of whom are out-posted to the Social Work department). The central section is responsible for the development of corporate personnel policies and procedures and provides departments with HR support and advice as requested.
- 5.3 The personnel team located in Social Work were out-posted approximately 4 years ago. Since then the Personnel Team Leader has become a member of the Social Work Department's Strategy, Performance and Support Services Management Team and as such is also responsible for additional non-personnel duties including: Office Support, Appointeeship, Health and Safety and Staffing
- 5.4 At the same time as staff were out-posted to Social Work, a team was also out-posted to the Education Department however they have since been transferred into that Department. 14 staff, in 2 teams, are now employed by Education, both teams reporting to the Education Human Resources Manager who was previously a Team Leader in the central personnel section. One team is responsible for Employee Resources, the other for Employee Relations (transactional HR/staffing). Not all staff are CIPD qualified.
- 5.5 A further 2 people (one in Housing, the other in City Development), both of whom are CIPD qualified, also carry out personnel activities.
- 5.6 The post of Corporate Services Team Leader (Personnel) within the Housing Department was created in response to criticism from the Housing Regulator in 2008. As well as personnel activities the Team Leader also manages the Accommodation/Safety Officer, the Department's training officer and the central admin section.
- 5.7 Within City Development the post of Team Leader (Support Services, Personnel and Staffing) provides a full range of personnel services to managers within the department as well as being responsible for some other non-personnel duties.
- 5.8 Posts in the new Environment Department are currently under a departmental review and re-structuring and one post i.e. that of Section Leader Admin (0.7 FTE on personnel activities) has already been identified for deletion towards the end of the 11/12 financial year. The department does not employ any other personnel staff, accessing the central personnel section for guidance and support as required.
- 5.9 The Finance and Support Services Departments do not employ their own personnel staff either, nor do they have out-posted personnel staff. These departments receive personnel guidance and support from the central section as requested.
- 5.10 To encourage corporate working the central Personnel Team Leader chairs regular personnel liaison group meetings to which the departmental personnel team leaders are invited as well as the Education HR Manager.

## **6.0 OPPORTUNITIES AND OPTIONS FOR CHANGE**

- 6.1 Over the past 30 years the role of personnel has undergone major changes: from a time when organisations looked to the 'Personnel Department' to police and administer the paperwork around transactional activities such as recruitment and payroll to more recently when organisations consider the 'HR Department' as playing an important role setting strategy and developing the culture of the organisation.
- 6.2 Business Partnering (pioneered by Ulrich and Brockbank) has emerged as the dominant model in today's modern organisations. With this model HR are less hands on and are freed up to work at a more pro-active and strategic level to address issues such as leadership, staff empowerment, workforce planning, staff development, service development and customer service. In effect the role of the HR professional is to give

advice to managers but managers are required to manage their own teams and take ownership for that relationship.

- 6.3 Each partner must involve the other from the beginning of the decision-making process and HR Business Partners must make every effort to understand their partners' business. It is not however necessary to out-post staff or for departments to employ their own personnel staff. Successful partnership arrangements can be achieved by having regularly scheduled update meetings to discuss business issues. Working together in this way makes the most of the HR function's value to the organisation. For example, East Renfrewshire Council (see case study at Appendix 1) adopted a business partnering model for their HR function some six months ago and feedback from the various departments has been positive, despite some reluctance initially from Directors. Each department has 1 identified Business Partner for strategic issues and support workers to answer HR enquiries.
- 6.4 East Renfrewshire Council and other private organisations have shown it is not necessary for HR partners to be located in the same department or location as their linked partner department. Partnership can work effectively by having regular scheduled update meetings to discuss departmental issues and strategic planning.
- 6.5 A more recent trend, and one that is expected to increase further, is the creation of shared support services. HR is in fact the most common service to be included in shared service agreements in the private sector and 3rd highest in the public sector. The latest example in Scotland's public sector is a report recommending the joint delivery of HR to Clackmannanshire and Stirling Councils. This is hot on the heels of a detailed business case setting out a plan for seven Clyde Valley Councils to share certain support services, including HR. Their aim is to deliver best practice support services to partner Councils and to drive down support service costs to help protect priority frontline services.

## **7.0 RECOMMENDATIONS FOR A NEW OPERATING MODEL**

- 7.1 The primary recommendation of the review is for a move towards a fully centralised business partnering operating model with the central HR Division having responsibility for the provision of all professional HR activities to departments across the Council. From the information collected there is nothing to suggest that the current arrangements for the personnel function are not effective. However, the review has provided an opportunity to build on the foundations of good traditional personnel practice to develop an operating model that is more efficient and in keeping with the Changing for the Future agenda.
- 7.2 The main benefits of the proposed model are:
- a clear career structure and greater professional development opportunities for all HR staff
  - unified corporate HR - HR solutions will be the same across the Council; there will be less likelihood of departments diverging and becoming disconnected from the corporate HR strategy and direction
  - more effective utilisation of CIPD qualified staff on HR activities
  - sharing of HR knowledge and experiences which will enable more interchangeability of HR staff
  - the HR function will be better equipped to meet peaks in demand
  - all departments will receive the same HR guidance and support.
- 7.3 It is proposed that initially the following departmental posts will transfer in to the central HR division from 1st April 2012:
- 1 x Team Leader from City Development
  - 1 x Senior HR Officer from Education
  - 2 x HR Officers from Education

- 7.4 At the same time the following posts currently out-posted to Social Work will remain as part of the central HR division:
- Personnel Team Leader
  - 1 x Senior Personnel Officer
  - 2 x Personnel Officers
  - 1 x Assistant Personnel Officer
  - 1 x Personnel Assistant

The Personnel Team Leader and a number of the above staff will continue to be responsible for the non-personnel duties they carry out for the Social Work Department however these duties will be the subject of review during the period up to 31 March 2013.

- 7.5 The Corporate Services Team Leader (Personnel) employed by Housing will remain within Housing at this time.

- 7.6 The Education Department Human Resources Manager will continue in her current post with her current responsibilities, but will have also have a professional relationship with the Head of Personnel, in terms of also acting as one of the three corporate Business Partners.

- 7.7 A structure will be drawn up to show how the central HR team will be organised for the next 12 months. The structure will be designed so as to maintain established working relationships, department knowledge and expertise. The personnel staff who are currently out-posted and the personnel staff employed by departments have built up a significant level of expertise that is valued and respected by the departments. HR Business Partners will therefore be partnered in the first instance with the departments they currently serve or have most knowledge of. In addition it is proposed that each of the Business Partners would carry a corporate responsibility for the Council's on-going commitment to areas such as mobile and flexible working and workforce planning.

- 7.8 It is not anticipated that this model will necessitate any costs or complications in respect of office accommodation. The staff moving in to the centre are currently accommodated on a mobile/flexible basis within Dundee House therefore it would be logical for them to continue to do so. Similarly, officers from the central team (presently based in the City Square Office) will be encouraged to work on a more mobile/flexible basis in keeping with the 'Changing for the Future' plans to apply the principles of mobile and flexible working throughout the Council. The current Personnel Offices in City Square will adopt a hot/clear desk policy so that all HR staff can work from these offices as appropriate.

- 7.9 A formal review of the model should be undertaken 12 months after implementation i.e. around April 2013.

- 7.10 The post of Organisational Development Assistant in the central team is recommended for transfer to the Information and Research Team based in the Corporate Planning Section - the post is currently on loan to that section.

## **8.0 MANAGING THE RISKS**

- 8.1 It is acknowledged that adopting this proposed change in operating model brings with it a number of risks. Appendix 2 highlights the key strategic risks identified during the consultation process and the mitigating approach to be taken.

- 8.2 The trust and commitment between departments and the central division will be essential to the success of this model. There may be teething problems during the transition period but the model has at it's core the following priorities:
- to ensure HR contribute to all strategic decisions
  - to ensure line managers accept responsibility for managing staff

- to maximise the effectiveness of each partners' resources
- to ensure efficiencies are maximised.

It also has the benefit of enabling pooled access to substantial expertise and resources to ensure equality and fairness across all departments of the Council and to mitigate any perceived risks.

## **9.0 POLICY IMPLICATIONS**

9.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Risk Management. There are no major issues.

9.2 An equality impact assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equimpact/>. There are no major issues.

## **10.0 CONSULTATIONS**

10.1 The Chief Executive, Director of Finance and Head of Personnel have been consulted in preparation of this report.

## **11.0 BACKGROUND PAPERS**

11.1 None.

**Patricia McIlquham, Depute Chief Executive (Support Services) 10 January 2012**

## **Case Study - East Renfrewshire Council**

East Renfrewshire Council employs around 4,000 FTE staff.

The Council adopted an HR Business Partnering Model some 9 months ago. Initially there were some concerns, in particular from the Education Department. Recent feedback from the management team at the start of August noted that the new model is working well.

The Council employs 3 HR Business Partners and each department has an identified Partners. Their principal function is:

- to provide strategic partnering with the service to embed a strategic approach to human resource development and management that results in a more effective front line delivery.

Business Support Officers (9 in total) are also partnered with departments, the number of partnered officers being based on the number of FTE staff in each department. The Education Department which accounts for almost half of the FTE staff across the Council has 4 Business Support Officers. The principal function of the Business Support Officers' role is:

- to support the HR Business Partner and departmental line managers by providing advice in case management relating to absence, discipline and grievance and in the development of HR strategy and policy across the Council.

The Business Support Officers report to the Business Partners and the Business Partners report to the Head of Service (HR Manager).

The HR team is based at the Council HQ and travel as required to their partnered departments when face-to-face communication is required.

Within the HR Service there is also a Workforce Development Manager who manages a team responsible for HR transactional/staffing activities.

<b>Key strategic risk</b>	<b>Mitigation approach</b>
Impact on pace and ability of departments to progress specific HR areas of work stemming from external inspection - with negative impact on individual departments.	HR Business Partners will be involved in the detailed planning of any necessary work and will be able to call on support from the centre as necessary.
Inconsistency in implementing corporate policies and procedures at departmental level.	HR Business Partners will provide guidance on implementation of policies and Head of HR will put into place suitable monitoring arrangements.
Loss of HR specific departmental knowledge and understanding, including knowledge of staffing issues.	HR Business Partners and support staff will be matched in the first instance with the departments they currently serve or have most knowledge of in order to restrict any loss of departmental knowledge.
Reduction in Trade Union relationships.	Trade Unions will be consulted re the new model and best practice approaches to trade union engagement will continue as in the past.
Loss of direct support and face to face contact at a time when change is happening at a fast pace.	HR Business Partners will be available to provide face to face contact as necessary.
Impact on ability to respond quickly and prevent escalation of problems.	Clear HR organisational structure will point managers in the correct direction for speedy advice.
Limited progress on corporate projects e.g. mobile/flexible working due to lack of departmental capacity to collate data.	Adoption of whole systems thinking approach to service redesign and continuous improvement.
Separating HR operations from departmental strategy will limit the work included within departmental service plans.	HR Business Partners will be involved in drawing up departmental service plans.
Departmental inability to carry out HR and other operational activities currently carried out by HR professionals.	Adoption of whole systems thinking approach to service redesign and continuous improvement.
Managers may have limited skill and competence in HR activities i.e. handling disciplinaries, grievance, sickness and absence management.	Training is available to ensure all managers are confident in discharging their responsibilities.
Trust and commitment between partners	Service level agreement documents could be drawn up between HR and each department to create a contractual framework if necessary.
Impact on service quality and performance.	Implementation planning and phasing of transition will seek to minimise impact on service quality and performance.
Impact of new model on other Changing for the Future projects.	Implementation planning and phasing of transition will take account of service readiness and other internal operating model reviews in order to minimise disruption. This review has in fact recommended that consideration is given to the centralisation and creation of a shared service centre for all transactional HR activities, including staffing, as part of the operating model redesign review of the admin function which is also taking place. The implementation plan will support this.

Changes to staff terms and conditions.	No significant changes will be made and the new HR organisational structure and role design will be used to mitigate differences amongst transferring staff. Trade Unions will be consulted in accordance with best practice.
Workforce risk - resistance to move to central service and associated new ways of working.	Application of best practice approaches to staff engagement and consultation.
Equality Impact.	An initial equality impact assessment has been undertaken and there are no concerns.