



DERBY CITY COUNCIL

## AD HOC RESTRUCTURING COMMITTEE 21 MARCH 2006

Report of the Corporate Director of Corporate and Adult Social  
Services and Deputy Chief Executive

# ITEM 5

### Review of Human Resources Structures

#### SUMMARY OF REPORT

- 1 Sets out proposals for the reconfiguration of Human Resources (HR) to fit the new five-department structure of the Council, following the work carried out by Deloitte.

#### RECOMMENDATIONS

- 2.1 To approve the interim strategy for HR set out in Appendix 2 and note the proposal to develop a longer-term HR strategy for the council over the next 12 months in consultation with stakeholders and our partners.
- 2.2 To approve the reconfiguration of HR services along the lines shown in Appendix 3.
- 2.3 To approve the plan for the co-ordination of health and safety shown in Appendix 4.
- 2.4 To note the proposal to establish a project plan and a team to lead the implementation of the new arrangements

#### SUPPORTING INFORMATION

- 3.1 As part of the preparation for the restructuring of the Council, we have been considering the reconfiguration of support services including HR. We have considered a radical redesign, involving the building of shared service centres for transactional HR services and for casework and advice. A need to review the health and safety function was identified. A wholesale move to shared service centres, even if that proved to be the right way forward for Derby, would require extensive business process re-engineering (BPR) and could not be implemented for 1 April.
- 3.2 Any such radical rethink of HR needs to start from a clear strategic perspective. The current HR strategy was written some years ago, before the Building for/on Excellence programme and it takes no account of the current objectives and priorities of the Council. So we need to develop a new strategic HR vision, based on what sort of organisation and what sort of employer we want to be. Before we invest in a fundamental redesign of the HR function, we need to develop a new HR strategy that takes account of the strategic re-conception of the organisation implied by initiatives like e-Derby, Derby Direct and the move to partnership working, rather than just responding to reduction from seven departments to five. Over the course of the next 12 months, we shall develop a new HR strategy in consultation with all of the stakeholders and our partners. This will allow us to base a more long-term structure

for HR services on a better and more considered conception of our future organisational needs and priorities. The new strategy may necessitate a further revision of HR structures that may involve some form of shared services and help us to respond to the Gershon agenda.

- 3.3 While this work goes ahead we need an interim strategy for HR to respond to immediate priorities and objectives. A draft of this has been worked up and is appended to this report. - see Appendix 2.
- 3.4 We cannot wait for a revised HR structure based on a new HR strategy; we need to bring HR into line with the new departmental arrangements without delay, even though this may only be a transitional reconfiguration. So it seems sensible to bring HR into line with the new structure by minimising disruption while extending existing best-practice wherever we can.
- 3.5 HR services still represent something of a legacy from the creation of the unitary authority in 1997, with slightly different models of HR delivery in different departments. Some uniformity resulted from the best value review of HR in 2000; casework and advice is decentralised and each department has its own head of HR. A dual reporting arrangement has allowed local accountability without sacrificing common standards and adherence to corporate HR policy. This has given us a viable model for delivery of professional HR services to departments.
- 3.6 There has also been some divergence in the development of transactional HR services since the best value review. Payroll staff have recently been devolved to Education HR, in line with a long-standing similar model in Commercial Services. This has led to errors in pay being reduced to a minimum and an improvement in morale for both payroll and HR staff. We want to retain and build on this successful model in the new Children and Young People's and Environmental Services departments. We would benefit from extending the model to the other new departments but they are each too small to sustain resilient, devolved payroll services on their own. And total devolution of payroll to departments would leave no obvious location for core payroll functions or for the payroll activity that we carry out for Derby Homes.
- 3.7 The least disruption/good practice approach to transitional arrangements suggests that we should keep heads of HR - together with a devolved casework and advice capacity - in each of the new departments. But we should treat Resources and CASS as a single entity for this purpose in order to create a big enough casework and advice team to allow for resilience and cover. Note - the reporting line for the head of HR in Resources/CASS will be resolved within the restructuring.

## **Proposals**

- 3.8 The pragmatic transitional approach suggests retaining the existing freestanding integration of payroll and basic Vision-related HR administration for Children and Young People's and Environmental Services. It also suggests building a shared service centre based on the central payroll team to deliver a similarly integrated capability for the other departments, none of which is capable of sustaining such integration on its own. A diagram of this arrangement is shown at Appendix 3.

- 3.9 It is proposed to set up a small project team to plan and implement the transition to the new arrangements described in this report and oversee the necessary transfer of HR staff between departments. Migration to the new arrangements will be governed by the agreed procedure for restructuring and re-organisation.
- 3.10 Health and Safety services also need urgently to be reviewed in order to respond to a perceived lack of confidence in some aspects of our present arrangements. A six-point plan to improve the co-ordination of health and safety activity throughout the organisation has been worked up for discussion with stakeholders and a copy of it is appended to this report - see Appendix 4. The plan will be implemented by the Corporate Health and Safety Adviser, working to the Assistant Director – HR.

## CONSULTATION

- 4 Corporate Directors, heads of HR and the unions have been consulted on the proposals in this report. We will undertake wider consultation as part of the development of a new HR strategy for the Council over the next 12 months and the design of appropriate HR arrangements to deliver it.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 - Implications Appendix 2 – HR Strategy Appendix 3 – Corporate Pragmatic Model Appendix 4 – Health and Safety Turnaround Proposals

<b>IMPLICATIONS</b>
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**Financial**

- 1 The reconfiguration of HR and the improvement plan for health and safety will be implemented within existing resources.

**Legal**

- 2 The changes effected by this report will be carried out in accordance with the statutory and contractual rights of the staff affected.

**Human Resources**

- 3 The proposals in this report are designed to deliver efficient HR and health and safety services to the Council.

**Equality implications**

- 4 The changes will be carried out in accordance with the agreed procedure for restructuring and re-organisation which has been agreed with the unions in order to safeguard equality of opportunity.

**Corporate objectives and priorities**

- 5 The proposals support all of the Council's objectives and priorities.

## AN INTERIM STRATEGY FOR HR

### 1 About this interim strategy

Derby City Council is a four star authority. We want to maintain our position as an excellent authority by continuous improvement of our services.

**To deliver excellent services and continuous improvement, we need people with the right skills in the right jobs. We need them to be committed to the highest levels of performance and to deliver it consistently. But we also need our people to learn new skills quickly and readily. We need them to contribute their own ideas for improvement to our services. We want our people to recognise the need for change in the way we do things and to welcome change. We want people to feel good about working for DCC and to want to give their best.**

This interim strategy for HR has been written to support and direct activity over 2006 while we reconfigure HR to fit the new organisational structure of the council. During 2006 a new organisational HR strategy will be developed in consultation with stakeholders and partners to reflect the Council's vision and objectives.

### 2 Contents

Paragraph 3 gives a brief idea of where we are now in respect of HR.  
Paragraph 4 sets out our immediate HR priorities and on- going objectives.  
Paragraph 5 shows how the strategy will be evaluated, measured and reviewed.

A plan for corporate HR activity for 2006/7 is attached to this strategy.

### 3 Current HR reality

- 3.1 The DCC workforce is not untypical of local government; skills and engagement need to improve to meet changing service expectations, terms and conditions require modernisation to improve flexibility and partnership working, diversity needs to be enhanced and the (un)equal pay legacy must be rectified.
- 3.2 The HR function is generally good at what it does but is not configured to fit the new Council structure or to deliver the current corporate priorities and objectives set out in this strategy. It delivers a good (but stretched) service in departments. There is a view that the centre concentrates too much on policy development. Organisational development capacity is too narrowly focused and health and safety support is in urgent need of review. Employee development is insufficiently resourced.
- 3.3 The HR function was subject to a major best value review six years ago. The findings of the review have been revisited and generally seem still to be valid. The best value review led to the adoption of an HR strategy for the Council in 2002 but this pre-dated the Building for/on Excellence programme and does not reflect the current vision and objectives for the Council. This organisational HR strategy now needs to be refreshed. This will be done over the next 12 months.

### 3.4 The Best Value Review in 2000 identified seven priorities for personnel...

Priority	Outcome	Verdict
Pursue liP accreditation	liP achieved for the whole organisation	Done
Deliver management development based on a new management charter	Management charter adopted; management development training delivered	Done
Provide OH service to improve employee health	OH service now in place	Done
Address recruitment and retention issues	Turnover significantly reduced. Recruitment issues addressed but pressures are on-going.	Done/still to do
Install computerised personnel information system	Vision installed. Development on-going	Done/still to do
Improve attendance management	Upper quartile achieved. Good prospects for further improvement.	Done
Conduct pay review. Carry out job evaluation	JE and pay review commenced. On-going.	Still to do

### 3.5 The review identified a number of performance indicators and set some targets...

Indicator	2000 Actual	2000 OLA benchmark	Target set in 2000	Current Actual	Current OLA benchmark	Verdict
Reportable occurrences per 1,000 employees	15	23 (median)	(none set)	9	Not available	Good
Sickness absence	5.5%	(none identified)	4% in 3 yrs	3.95%	4.52% (upper quartile)	Good
Senior management posts held by women	30%	(none identified)	40% in 5 yrs	31%	(Not now measured by OLAs – replaced by BVPI 11)	Poor
% workforce DDA	1.8%	(none identified)	(none set)	2.5%	2.1% (upper quartile)	Good
Turnover	9.5%	(none identified)	7.5% in 3 yrs	6.8%	(none available)	Good

## 4 Objectives and priorities

4.1 Over the next 12 months our activities will be prioritised to help meet the objectives in the corporate plan and in the Corporate and Adult Social Services departmental business plan. Through recruitment, learning and change we have an impact on the delivery of all of the Council's services to its customers. As a support function, HR contributes to all of the Council's objectives and priorities. This linkage is most evident with objective CO 4 and its associated priorities, CP 12 and 13. The focus on service improvement is also reflected in the Corporate and Adult Social Services objectives.

- CASS 1 – Contribute to the development of effective neighbourhood services
- CASS 2 – Improve customer services across the Council
- CASS 3 – Facilitate change and improvement across the Council
- CASS 4 – Secure VFM and manage a tight budget settlement effectively

4.2 Our priorities for 2006/7 and our on-going objectives are shown in the table below, with links to the departmental and corporate plans. These priorities have been adopted to make the best contribution we can to meeting our organisational objectives. The immediate priorities reflect the current HR reality inside the organisation and they respond to the key drivers for change. These drivers include the need to complete the current organisational restructure, our equal pay liabilities and the need to review the fitness for purpose of the HR function itself.

4.3 Rod Wood, AD – HR, is accountable for the delivery of the interim strategy and for making sure that its immediate priorities are met but each priority has an “owner” who will be responsible for driving it forward.

Reference	Immediate Priorities	CASS Link	Corporate Link	Owner
HRP 1 a HRP 1 b	<b>Reorganisation</b> Support (a) the Council-wide restructuring &(b) review of HR.	CASS 3 CASS 1	CO 4 CP 12	
HRP 2	<b>Modernising Pay</b> Complete the job evaluation project, develop and implement a new LGS pay structure with revised terms and conditions. Resolve equal pay liabilities.	CASS 3	CO 4 CP 12 CP 13	
	<b>On-going objectives</b>			
HRP 3	<b>Improving Customer Service</b> Help managers and our people to meet our customer service standards. Support the development of Derby Direct.	CASS 2	CO 4 CP 12	
HRP 4	<b>Workforce Development Planning</b> Support workforce development to deliver the right people with the right skills for the services of the future.	CASS 3	CO 4 CP 12 CP 13	

Reference	On-going objectives (cont)	CASS Link	Corporate Link	Owner
HRP 5	<b>Improving health and attendance</b> Support the mental and physical well-being of our people and drive up attendance levels.	CASS 3 CASS 4	CO 4 CP 12 CP 13	
HRP 6	<b>Meeting the local government equality standard</b> Deliver progress towards level 5 of the standard.	CASS 2	CO4	
HRP 7	<b>Delivering our Building on Excellence projects</b> Refresh and deliver the people projects in BoE.  ➤ Improving performance ➤ Workforce Development Planning ➤ Employee engagement	CASS 3 CASS 4	CO 4 CP 12	

In addition to our immediate priorities and our on-going objectives, we shall also continue to carry out a wide range of activities that the organisation depends on HR to do under the heading of '**business as usual**'.

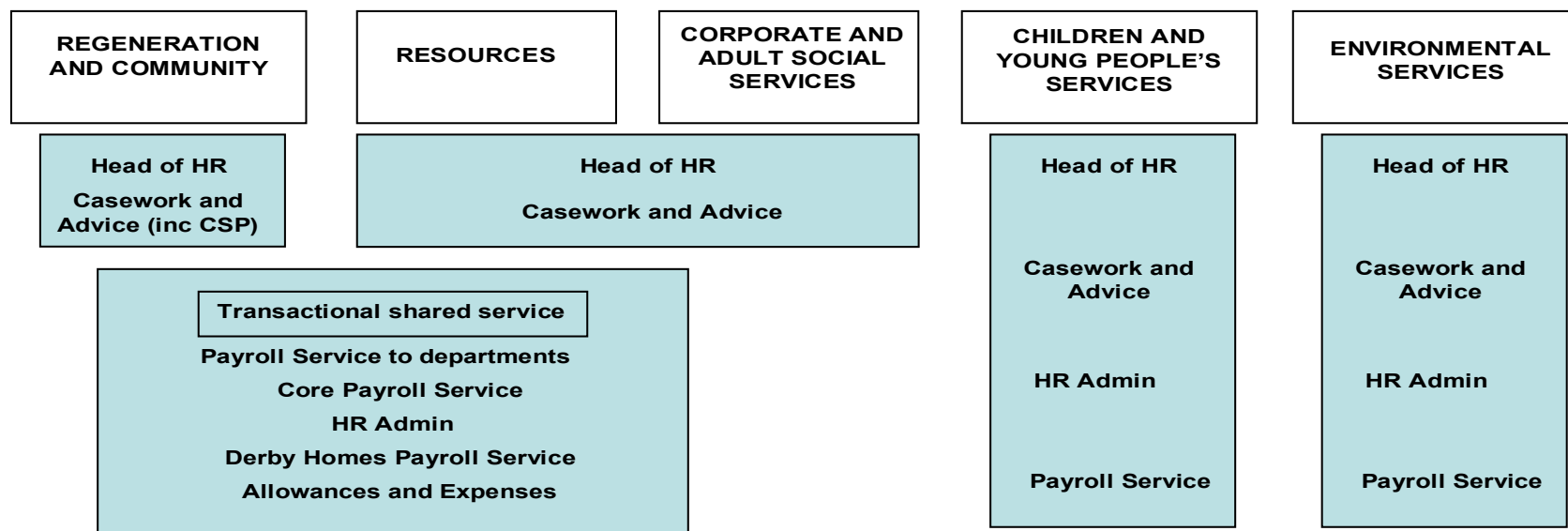
## 5 Review and evaluation

The strategy will be reviewed in early 2007. It will be evaluated using the following measurements, benchmarks and targets:

- Customer satisfaction – has this improved relative to 2005 and to other unitaries?
- Employee satisfaction – improved since last employee survey? Relative to others?
- Employee turnover (PSI 2)
- Equality and Diversity (BVPI 11, 16 and 17). Have we reached level 3 of LGES?
- Attendance (BVPI 12)
- Employee development (PSI 3 [A&D%] and PSI 4 [Training budget%])



## COMPOSITE PRAGMATIC MODEL



Delivers benefits of integrated HR admin/payroll service across all parts of the council  
 Avoids risks of atomising payroll by providing critical mass for all departmental payroll services  
 Provides secure location for core payroll services  
 Provides location for payroll service to Derby Homes (and Derwent)  
 Accommodation problems depend on precisely which activities transfer to shared service  
 Reporting line for Resources/CASS Head of HR needs to be resolved  
 Provides kernel for future shared payroll/transactional HR service centre for the whole council

**DRAFT**

**Health and Safety Turn-Around Proposals**

- 1 Acknowledge the consensus that H&S is in urgent need of review. The BV report from 2000 said, "There is no formal safety management system, agreed service objectives or auditing programme to measure performance." These weaknesses remain largely unchanged.
- 2 Retain Health and Safety - H&S - within corporate HR for 12 months – review progress in March 2007 with a view to more radical structural changes at that point if turn-around is not achieved.
- 3 Develop a strategy - including a structured work-plan - for corporate H&S section for the 12 months from 1 April 2006. Agree it with the trade unions – then stick to it without being pulled off course by non-critical ad hoc concerns. Key elements of the strategy might include:
  - H&S must be mainstreamed – like equalities. Managerial accountability for H&S must be the underlying principle of the strategy
  - use the (HSG 65) 5-level model
  - Corporate H&S to take on (light-touch) audit/monitoring role as the key element of the work-plan, checking that each service has carried out risk assessments and has adequate control measures in place
  - build in a monitoring/feedback loop
  - develop corporate H&S training plan and in-house delivery capability. Organise training sessions for all managers based on the plan. Consider using high profile outside trainers for special issues?
  - promote employee health improvement – explore funding opportunities from PCT to support this. Develop drop-in health check clinics.
- 4 Set up a corporate steering group of Assistant Directors to oversee H&S strategy implementation and monitor work-plan. Ask Dave Roberts to become our H&S champion?
- 5 H&S Advisers to remain departmentally based as now, with a professional link to the Corporate H&S Adviser.
- 6 Move operational management of Occupational Health and Welfare from the Corporate H&S Adviser to the Corporate HR Adviser - Operations to allow the Corporate H&S Adviser to concentrate on H&S. Leave Occupational Health policy with the Corporate H&S Adviser.