

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources	DATE	11 May 2010
CORPORATE DIRECTOR	Stewart Carruth		
TITLE OF REPORT	Creation of an HR Service Centre		
REPORT NUMBER	CG/10/087		

1. PURPOSE OF REPORT

This report summarises the business case for the creation of an HR Service Centre which will deliver cost effective, high quality support to its users by streamlining transactional and routine HR and payroll services, resulting in improved quality at a reduced cost.

This in turn will enable HR to further develop its role from a traditionally reactive and operational function to one which is more strategically aligned, focusing on facilitating and supporting organisational change and service excellence.

CMT have confirmed their full support for this proposal. This report therefore seeks Committee approval to proceed with the creation of an HR Service Centre.

2. RECOMMENDATION(S)

It is recommended that the Committee approves:

- (i) the establishment of an HR Service Centre and
- (ii) that the structural implications are reported to Committee as soon as is practicable – including details of the transfer of staffing posts from all five services

3. FINANCIAL IMPLICATIONS

Initial assessment of the resources required to deliver an HR Service Centre has concluded that there is no apparent need to invest significantly in new infrastructures and systems beyond those already in place.

A highly efficient front-end electronic case management system is already being used by the corporate Customers Service Centre. It is considered that this system would meet the needs of the HR Service Centre by linking the front office functions to those in the back office without the need for costly bespoke development. However, some minor set up costs will inevitably need to be incurred, including the purchase of hardware for the telephony system.

It is envisaged that the service and process redesign will result in a leaner structure overall. Savings are therefore expected through the rationalisation of posts and the aforementioned set up costs will be met from savings expected to be achieved during the current financial year. Whilst it is too early to quantify precisely the reduction in posts and the resulting savings, Services have already rationalized around 10 posts in anticipation of the shared centre, leading to savings of approximately £250,000.

Whilst every reasonable effort will be made to redeploy staff who are not transferred into the HR Service Centre, redeployment cannot be guaranteed and as such severance costs may be accrued.

4. SERVICE & COMMUNITY IMPACT

The introduction of a facility that provides improved quality at a reduced cost

Equalities & Human Rights Impact Assessment

The type of work undertaken within the HR Service Centre may initially restrict opportunities for flexible working on the basis that staff need to be physically located in the centre and will be required to be on duty within defined hours. As the service evolves, the opportunity to make more flexible working options available such as home working will be considered. Requests for flexible working at that time will be assessed objectively and fairly against the needs of the service.

An HR Service Centre will include some new ways of working with increased reliance on automated processes (such as e-forms) and ICT systems which staff in the centre will need to use and administer. Some employees may find this challenging so appropriate training tailored to individual needs will be provided.

The layout of the centre will be accessible to any employee with a disability. This includes making any reasonable adjustments required.

In terms of customer contact, alternative contact options will be available for people who cannot use conventional phone systems. For people whose first language is not English, we will provide translation and explanation of electronic information on request.

5. OTHER IMPLICATIONS

Resourcing issues

Given that additional economies of scale in staffing are expected through the streamlining of processes and transactional activities and the way in which HR services are delivered, this will clearly impact on the staff that are currently providing these services. Whilst it is too early at this stage to quantify the reduction in staffing, where reductions occur, affected staff will be communicated with and consulted at the earliest possible stage in accordance with legal and policy requirements.

New job profiles are being developed for the HR Service Centre role and these posts would be ring-fenced to those staff that are predominantly carrying out HR transactional and administrative duties. These staff are currently being identified. Selection to the service centre will be based on the ability to match the skills and competency level, allowing for appropriate skills development, for example, in the use of the new technology.

Any member of staff who is not transferred into the HR Service Centre and is at risk of redundancy as a result will have the opportunity to leave under the Council's Voluntary Severance/Early Retirement Policy or seek suitable alternative employment under the Council's redeployment policy, (although the Council's redundancy provisions will apply if redeployment is not found).

The implications in terms of property and equipment are highlighted later in the report.

Risk assessments

In view of the increased reliance on automated processes and new technology, including a telephony based system, risk assessments will be undertaken to take account of anticipated longer periods spent at a desk and using a keyboard. Telephone sets would allow a range of volume settings/hearing loops etc to ensure access if required.

Risks

No agreement may be reached about the location of the HR Service Centre resulting in a delay to its launch. A preferred site has, however, been identified and preliminary investigations have confirmed its suitability.

Installation of the required telephony equipment and case management technology may be delayed. ICT colleagues will continue to be consulted to ensure the technology support is fit for purpose and is installed and ready for use in time.

6. REPORT

Background and context

The Council is constantly looking for ways to improve the quality of its services whilst operating under significant and increasing cost constraints. When providing key support services, managers need to ensure that such services continue to be responsive to the needs of the organisation and are able to demonstrate how they add value to the business. To ensure that "best value" is being provided, there is a need to ensure that the services provided in house remain competitive in terms of cost and quality of service. This requires some radical and creative thinking about the way in which support is delivered to the organisation.

In doing so, one of the key priorities must be to streamline and simplify the transactional processes that are carried out. This is best achieved by service

redesign, re-engineering processes and through the application of new technology solutions.

Taking the needs of our customers and the organisation into account, it is planned to develop a customer support model that enables transactional and non-strategic HR-related activities to move to a central point equipped to deal with these activities. This is commonly referred to as an HR Service Centre. Such activities include the administration of recruitment, pay and benefits, maternity leave, retirement, management information as well as dealing with routine enquiries about HR policy and procedures, pay and conditions of service.

For clarification, HR in this context includes both the provision of specialist information and advice on HR policy and practice (provided to differing extents by both HR and staffing teams) as well as all transactional HR activities (in the main provided by staffing teams and some elements of payroll).

Prior to arriving at this conclusion, benchmarking and an options appraisal were carried out to help determine the most effective way of delivering HR services in the future. Feedback received from a recent customer satisfaction survey was also used to arrive at the conclusion that was reached.

Current Costs

The current cost of HR transactional support including on-costs is approximately £1,063,704.41. This figure is arrived at by the summing of salary costs of £829,075.92 and employers on-costs of £234,628.48. The Council has benchmarked these costs via CIPFA and they appear to be relatively high and, therefore, capable of being rationalized.

It must be noted that these figures take no account of any potential costs associated with the HR transactional aspects of professional HR posts nor any potential HR activity undertaken outwith staffing teams such as in schools or as minor parts in other administrative posts. It is anticipated that the outcomes of the central administrative review will be able to highlight the extent of these posts and provide some quantitative data as to the impact the HR Service Centre might have on an ongoing basis in respect of these posts.

The figures discussed above were higher at 31 March 2010 but approximately 10 posts have already been removed or are likely to be removed in the staffing teams as part of their budget saving processes in anticipation of the likely introduction of a HR Shared Service Centre. The savings achieved thus far equate to approximately £250,000.

Future HR delivery - options appraisal

The main drivers for changing the way in which HR services are being delivered are to enable the HR function to:

- become more strategically focussed
- increase its business focus
- reduce costs

- provide a more responsive customer service

A recent HR customer survey of the top 4 tiers of managers (including Head Teachers) whilst largely positive also highlighted areas for improvement and therefore a need to review HR service delivery. This survey was co-ordinated by Cipfa during the 4th quarter of 2009 and the main issues that were highlighted included:

- confusion amongst some managers about the respective roles of staff within the Human Resources & Organisational Development Service and employees within staffing teams
- some inconsistency of advice arising from the above
- speed of response
- a need for a clearer understanding of the business of services

In order to effectively address these issues and ensure that HR delivery meets the needs of the organisation, a number of options were considered and these are appraised below.

	Option	Pros	Cons
1	Do nothing	<u>Quantitative:</u> <ul style="list-style-type: none"> • Costs associated with re-structuring are avoided <u>Qualitative:</u> <ul style="list-style-type: none"> • Potential employee relations issues can be avoided 	<u>Quantitative:</u> <ul style="list-style-type: none"> • Risk of escalating employee costs • High benchmarked cost of transactional service. • Non-realised internal cost saving opportunities <u>Qualitative:</u> <ul style="list-style-type: none"> • Lack of quality improvements • Failure to address customer requirements • Inability of HR&OD to deliver on strategic HR projects • Retention of the 'reactive' nature of HR&OD service delivery
2	Externalise HR transactional services	<u>Quantitative:</u> <ul style="list-style-type: none"> • Reduced staff costs • Economies of scale 	<u>Quantitative:</u> <ul style="list-style-type: none"> • Non-realised internal cost saving opportunities

		<ul style="list-style-type: none"> • Access to improved HR IT systems without capital outlay <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • HR resources can operate more strategically 	<ul style="list-style-type: none"> • Particularly poor value/expensive advice • Additional costs/time to manage contract • Possible costs of bringing service back in-house <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • Loss of skills/knowledge • Lack of understanding of organisational culture • Lack of knowledge of the business and expertise • Possible detrimental impact on employee engagement
3	Centralise staffing teams	<p><u>Quantitative:</u></p> <ul style="list-style-type: none"> • Reduction of staffing costs • Reduced management costs <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • Reduces duplication • Single management line – greater accountability • Consistent application of HR processes 	<p><u>Quantitative:</u></p> <ul style="list-style-type: none"> • Does not address ongoing HR cost saving requirements • Non-realised opportunity costs, e.g. wider process reviews <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • Only partially addresses customer concerns • Only addresses staffing specific processes • Lost opportunity to transfer transactional activities from HR • Lost opportunity to increase HR strategic capability

4	HR Service Centre	<p><u>Quantitative:</u></p> <ul style="list-style-type: none"> • Provide economies of scale in transactional work – more efficient delivery • Reduces staff costs • Ensures that resources are better managed giving better value for money <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • Creates a centre of excellence • Provides opportunity to share services externally and generate income • Allows HR to become part of the strategic core of the business • Addresses customer concerns • Provides single management line – greater accountability • Increases staff development and/or career opportunities for staff • Rationalisation and improvements to all HR processes • Retains in house skills and knowledge of the business 	<p><u>Quantitative:</u></p> <ul style="list-style-type: none"> • Management time involved in re-structure • Potential costs associated with VS/ER • Need to re-work the operation of the HR recharge in light of revised service delivery <p><u>Qualitative:</u></p> <ul style="list-style-type: none"> • Risks associated with incomplete delivery – cost, employee engagement & operational HR risks
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Option 4, the development of an HR Service Centre is the preferred option for the following reasons:

1. Cashable savings will be accrued from Year 1 as will non-cashable benefits (effectiveness and efficiency of service delivery).
2. It provides for an immediate review of HR and Payroll processes which should enable greater efficiencies to be achieved.
3. An HR Service Centre can be developed to enable the services to be offered to local and regional partners thus providing the scope for income generation.
4. The establishment of an HR Service Centre frees up the remainder of the HR Service for strategically focussed 'value added' functions.
5. Line managers will have access to consistent support and advice.

An HR Service Centre approach

Within both the public and the private sectors, a service centre approach is becoming the preferred model for delivering HR and payroll support enabling HR to proactively support key organisational objectives.

An HR Service Centre provides the front line HR Service to the rest of the organisation, presenting significant opportunities to introduce standard systems, best practice processes and procedures, and real improvements in efficiency savings and customer service.

At the moment, each service has its own staffing team. Although varying in size, each staffing team carries out very similar support functions. Using an HR Service Centre approach, services will share the same facility. All transactional and administrative HR support would be undertaken within the proposed shared service centre.

Business benefits and outcomes

Results from benchmarking and research demonstrate that significant organisational benefits can be derived from a service centre model. This also includes real benefits for the employees who work in the centre. These include:

- routine HR queries and issues devolved to frontline staff with specialist HR staff freed up to focus on complex cases
- the pooling of valuable skills and knowledge;
- more staff development opportunities;
- more variety and challenges for staff resulting in increased job satisfaction;
- more responsive customer service resulting in improved customer/user satisfaction with the quality of service;
- consistency of standards of delivery and reduction of duplication;
- improved information and advice to managers that will facilitate good decision making across the Council
- faster processing times
- real economies of scale in staffing and administration;

- staff delivering policy and strategy will be freed up to concentrate on higher impact, value-added activities such as modernising policies, supporting improved business performance and becoming true strategic partners to the Directorates they support
- the future potential to share the service centre with partners and thereby generate income

These benefits will be measured by conducting regular customer satisfaction surveys with measures for such key indicators as access, communication, competence, courtesy, credibility, reliability, responsiveness, value added and level of business understanding.

Employees in the HR Service Centre will be equipped and motivated to deliver higher quality transactional processes and a key aim is to make the centre an excellent place to work, offering genuine career and succession planning opportunities. HR Service Centre staff looking to develop a career in HR will acquire wide-ranging HR knowledge and will be given the opportunity to experience other parts of the HR service through a variety of career development paths tailored to ensure exposure to the necessary range of experience. Such experience would complement their academic studies and could potentially produce a ready-made pool of suitably qualified and experienced applicants for professional HR positions.

Scope of Service Centre

While the role and structure of the HR Service Centre has yet to be finalised, in general terms it would:

- provide managers with immediate telephone advice on all routine and basic HR issues, including issues about pay
- process all HR related documentation (applications, contracts etc)
- include elements of payroll services to further integrate HR/Payroll delivery
- enable the establishment of an Information Unit – providing services with key management information
- act as the ‘gate keeper’ for more detailed HR support (for example, in relation to complex disciplinary and grievance cases or performance and absence management issues).

This will be further enabled by both a full review of ways of working, the sourcing of a new integrated HR/Payroll system enabling the production of relevant and timeous management information, and the introduction of self-service elements for processes such as leave and expenses.

Technology support

Obtaining all the benefits from an HR Service Centre will be contingent on the use of, and access to, the right technology.

Having assessed the technology the Council already has in place, a case management system (called Lagan Enterprise Case Management solution)

appears to offer all the features required for the successful delivery of an HR Service Centre. This in turn will provide improved systems support for the staff who would be located in the service centre (support they do not currently have) and help them do carry out their role more effectively.

It automatically allows for the routing, prioritization, escalation and alerting of casework based on HR policies.

The screens, processes and information can be easily tailored to suit the role and skills of the staff operating in the service centre. The quality of responses to queries will improve through use of a single, consistent knowledge base for all users that can be regularly and easily updated. Call backs should be significantly reduced because of unsatisfactory first time answers. All of this should lead to greater customer satisfaction.

Complete contact history of manager/employee interactions with staff in the centre would be captured for tracking, auditing and reporting. This would enable HR to continue to look at ways of improving the services provided and to more easily address any training issues.

Location

Careful consideration has already been given to the possible location of an HR Service Centre and various options have been assessed. On balance, significant operational advantages can be gained by co-locating the centre alongside the payroll function at the AECC as this would present the opportunity to streamline and speed up numerous HR processes. There would be sufficient space available and the technological requirements can be met. For these reasons, this is so far deemed to be the most suitable venue.

Communication and consultation

It is planned to communicate with and involve key stakeholders throughout the implementation process. Managers, all staff potentially affected and trades unions have already been made aware of the proposal and we will continue to communicate, explain, answer questions and involve those affected as much as possible, using a variety of methods.

As a further reduction in posts is likely, staff and trades unions will be communicated with and consulted once proposed structures and jobs have been formulated.

Timescale and next steps

A significant amount of research and benchmarking has already been undertaken. This includes looking at existing HR service centre models which recently involved a trip to Bristol City Council who have just recently introduced an HR service centre based along similar lines as the centre envisaged for Aberdeen City Council.

Preparatory work has been undertaken to look at existing HR service centre models and a project group established to determine our needs. This group, comprising representatives from both services and HR, will look at the various options and in due course present the final proposal for the service centre to a future meeting of the Committee.

The implementation plan consists of a number of critical stages. These include:

- determining the business case (as summarised in this report)
- ensuring that the right mix of people are involved to take the project forward (as achieved through the establishment of a project team)
- consulting and communicating with affected staff and trades unions (which has already started, and would continue throughout the implementation process)
- review and developing HR processes (which will be done in tandem with the job role and structure redesign, calling upon the expertise of change managers and the people at the front end)
- finding a suitable location for the HR service centre (a preferred option has already been identified)
- ensuring that the right technology support is in place (existing in-house technology has already been identified)
- clarifying the role, responsibilities and accountabilities of the HR service centre (this is becoming clearer through the outcome of benchmarking and analysis of best practice)
- exploring options for the structure of the service centre and the impact this has on the structure of the HR and Organisational Development Service (as above)
- seeking committee approval for the redesigned structure
- clarifying and communicating the role and responsibilities of customers of the HR service centre
- training of HR service centre staff (training plans will be developed in due course)

Having carefully analysed the various steps that need to be taken before being in a position to launch an HR Service Centre, it is anticipated that the implementation stage will be reached by December 2010. The centre would evolve from then with improvements to the quality of service it delivers continuing to be considered and implemented.

Shared service capability

Having a highly efficient and cost effective HR Service centre offering high quality standards of delivery and customer service will potentially become attractive to partner organisations who may be interested in sharing the service we provide. The potential for such collaborative arrangements with other organisations offers the opportunity for income generation at a time when we need to consider creative ways of reducing our costs.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Whilst none are attached to this report, a copy of the full business case can be supplied to Members on request.