

<b>Report To:</b>	CABINET	<b>Date:</b>	30 NOVEMBER 2017
<b>Heading:</b>	SHARED HUMAN RESOURCES SERVICE-EXTENSION OF SERVICE LEVEL AGREEMENT		
<b>Portfolio Holder:</b>	CLLR JACKIE JAMES: CORPORATE RESOURCES AND FINANCE		
<b>Ward/s:</b>	N/A		
<b>Key Decision:</b>	YES		
<b>Subject To Call-In:</b>	YES		

### **Purpose of Report**

To give notice to Mansfield District Council (MDC) to extend the current Service Level Agreement (SLA) for provision of Human Resources (HR) services by Mansfield District Council to Ashfield District Council (ADC) for a further period of 5 years from 1st December 2018

### **Recommendation(s)**

**To agree to notify Mansfield District Council of Ashfield District Council's request to extend the Service Level Agreement for provision of Human Resources services by Mansfield District Council to Ashfield District Council for a further 5 years from 1<sup>st</sup> December 2018.**

**That any variations to the shared HR service, Service Level Agreement be delegated to the Director for Resources and Business Transformation**

**That any variations to the agreed proportionate split of the costs of providing the shared HR service functions be delegated to the Director for Resources and Business Transformation.**

### **Reasons For Recommendation(s)**

The SLA for the provision of HR services by MDC to ADC began on 1 December 2013 for a period of 5 years. The SLA is due to expire on 30 November 2018; however, there is provision for the agreement to be extended for a further 5 years.

The services provided have met the drivers for change adopted when the shared service was implemented, a continual programme of achievements and developments have been delivered and the required levels of performance have been consistently provided. It is considered that the shared HR team provides a good service, which is value for money for the Council.

## **Alternative Options Considered (With Reasons Why Not Adopted)**

Withdrawal from the shared service arrangement-provision of in-house service: This will require the authority to provide its own stand-alone, in-house service. This is not recommended as it would create a lengthy period of significant disruption to the HR team with a knock on detrimental impact on the level of service provision and in turn a detrimental impact on cross Council service delivery. It would also significantly increase the cost of providing HR services through an increase in employee costs and HR-ICT system costs through the loss of sharing costs with MDC and reduce the resilience within the team.

Withdrawal from the shared service arrangement-services provided by private sector, alternative shared service or other third party: This is not recommended as it will require procuring an external supplier of HR services or entering into a service level agreement with a third party. Concurrently there will be a need to withdraw from the current shared service arrangement, which will involve a lengthy, complex and expensive exit plan being implemented to uncouple the current arrangements including TUPE considerations and data transfer.

### **Detailed Information**

The original drivers for change were:

#### **Increased Resilience**

- To develop a robust service with the capacity to adequately and flexibly respond to changing demands of client groups and stakeholders

#### **Increased Synergy**

- To deliver a service that is consistent in the advice that it provides, the working practices, systems and processes it employs and the work types it undertakes

#### **Shared Skills and Expertise**

- To transfer skills and expertise throughout the service to address gaps in knowledge and contribute to the development of a more robust, resilient and effective service

#### **Improved Efficiency (cashable and non-cashable savings)**

- To reduce the cost of delivering HR services to both local authorities and identify the potential for improving working practices, systems and processes.

#### **Increased Economy of Scale**

- To take advantage of efficiencies to be realised from the use of one HR system (number of employees, updates and development costs)

The **Vision** for the Shared HR Services is:

“An exemplar, single, streamlined HR service providing high quality, consistent, value for money services that are flexible and adaptable to the developing business needs of partners“.

Achieved through:

- Optimising use of automation, self-service and developing technologies
- Alignment of policies, procedures and processes against organisational needs
- Streamlined collection and delivery of timely and accurate data
- Business focused solutions
- Provision of high quality, user friendly, up to date HR intranet and internet sites
- Delivering HR services more effectively and efficiently
- Providing consistent, high quality customer experience
- Taking advantage of commercial opportunities
- A culture of collaborative working and partnership mentality

It is considered that the drivers and vision are being met and the shared HR service team continues to implement significant benefits, improvements and active support to delivering the Council's key priorities and objectives. The service has continued to deliver significant efficiencies and cash savings to both authorities whilst providing enhanced service quality.

### **Successes and Achievements**

Since commencement of the shared service in December 2013, the following have been implemented:

- Delivery of a range of key projects within the Councils, People Strategy-Action Plan
- Move to one HR system allowing data migration of ADC and Ashfield Homes employee and payroll data
- Development of self-service modules through the HR system including mileage and expense claims and updating of personal information
- Implementation of job evaluation and single status at ADC
- Successful TUPE transfer of 160 employees from Ashfield Homes and integration into payroll system
- Integration of transferred Ashfield Homes-HR team into the shared service.
- Delivery of significant cash savings to both authorities; £80k to ADC.
- Review and updating of HR policies and where appropriate implementing joint ADC/MDC policies, avoiding duplication
- Development of comprehensive leadership and management development programmes
- Development of more effective and efficient approach to identifying and delivery of training programmes to all employees
- Development of Apprenticeship Levy and Apprenticeship programme
- Introduction of a joint ADC/MDC recruitment portal
- Development of a joint ADC/MDC Competency Framework and integration into recruitment and employee development
- Provision of HR business partners aligned to directorates
- Improved payroll service
- Integration of payroll provision for elections staff for both authorities
- Enhanced support and guidance to managers on attendance management with significant reduction in absence rates
- Joint procurement of one occupational health service for both authorities
- Coordination and promotion of employee workplace benefits schemes

- Active support to ADC's comprehensive service review programme
- Increased resilience and continuity of service
- Active development support to enable ADC to self-assess as meeting the Equalities Framework for Local Government and Public Sector Housing

## **Performance Monitoring and Benchmarking**

A quarterly performance review meeting is held between the Director-Resources and Business Transformation, HR Manager and Director of Governance and Monitoring Officer (MDC). As well as exception reporting and monitoring of performance, proposed service developments and successes/achievement are also discussed and actions agreed.

There is an annual Nottinghamshire HR benchmarking assessment undertaken involving the County Council, City Council and all the district authorities. The benchmarking assessment covers HR, payroll and learning and development. The shared HR service and in turn the respective authorities consistently perform above average to upper quartile. The shared HR service is deemed to be providing a high level of service on a value for money basis.

## **Cost Split**

The cost split for meeting the total agreed chargeable costs when the shared HR service commenced in December 2013 was

- ADC (46.34%): MDC (53.66%)

This was based on the % split between the full time equivalents in the HR employee establishment for each authority as at 1 December 2013.

The integration of Ashfield Homes employees into ADC in October 2016 involved a subsequent transfer of HR & payroll officers into the shared service that has resulted in an increase in the overall costs of the shared HR service; with a net increase charged to ADC only. This will apply for the remainder of the current SLA that ends on 30 November 2018. This equates to a current % split of:

- ADC (49.53%): MDC (50.47%)

Due to a number of changes to the services that the shared HR service has been requested to deliver since commencement and the impact of the integration of the former Ashfield Homes employees, plus acknowledgment of the high level of transactional services that HR and payroll provide to all employees; both authorities agreed to review the future cost split basis which will come into effect with the renewal of the shared HR service-SLA on 1st December 2018.

The agreed revised cost split is

Employee Costs: Based on % split of FTE's (Full Time Equivalents) for each authority against total number of FTE's, excluding those employed within a ADC/MDC shared service arrangement. To be calculated on status at 1 December of each year.

Associated Costs (e.g. ICT system costs/licences/occupational health costs) of 50%:50% to each authority.

This equates to a projected % split of

- ADC (46.9%): MDC (53.1%)

Based on the indicative 2018/19 shared HR service budget, this is projected to realise full year savings to ADC of circa £25k (takes effect from December 2018) which will be included in the Council Savings Strategy.

## **Implications**

### **Corporate Plan:**

The shared HR service is fundamental to the delivery of the Organisational Improvement-Corporate Objective; predominantly through delivery of the People Strategy, comprehensive learning and development programmes, implementation of e-HR and actively supporting the Council's comprehensive transformation and service review programmes.

### **Legal:**

Both councils are local authorities for the purpose of the Local Government Act 1972 and best value authorities for the purposes of the Local Government Act 1999. The creation and continuation of the Shared Service is based upon the following powers:

- Local Authority (Good and Services) Act 1970, s.1
- Local Government Act 1972, ss.111-113
- Local Government Act 2000, ss.19-20
- Local Authorities (Arrangements for the Discharge of Functions Regulations) 2000 and consequential regulations and amendments.

The current SLA commenced on 1 December 2013 for an initial period of five years ending on 30 November 2018. The SLA allows for extensions of further five-year periods subject to satisfactory performance.

### **Finance:**

This report is effective from 19/10/2017 and has the following financial implications:

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	The budget saving for 2018/19 from 1 <sup>st</sup> December 2018 to 31 <sup>st</sup> March 2019 will be £9k. This is equivalent to a full year saving of £28k. See below part of this saving will be passed to the Housing Revenue Account. The exact amount is still to be determined.
General Fund – Capital Programme	No implications.
Housing Revenue Account – Revenue Budget	See above a proportion of the above cost saving will be transferred to the HRA. The amount is still to be determined.

Housing Revenue Account – Capital Programme	No Implications.
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**Risk:**

<b>Risk</b>	<b>Mitigation</b>
Failure to provide the required level of HR service required via the Shared Service, over the 5 year extended period	<ul style="list-style-type: none"> <li>• The Shared HR Service provision is in accordance with a Service Level Agreement (SLA) including robust performance monitoring and reviews.</li> <li>• The extension of the SLA provides continuity in regard to HR service provision</li> </ul>
Withdrawal by MDC from providing the HR service to ADC.	<ul style="list-style-type: none"> <li>• The SLA includes a formal process should either authority wish to exit the Shared Service arrangement including a requirement for formulation and agreement of a detailed Exit plan</li> </ul>

**Human Resources:**

As outlined within the report. The shared HR service employees will continue to be employed by MDC on its terms and conditions.

**Equalities:**

An Equality Impact Assessment (EIA) screening exercise was undertaken when the original proposal was considered. A further EIA screening assessment has been undertaken that shows there are no direct implications on equality and diversity as a consequence of the recommendations outlined within this report.

**Other Implications:**

**Reason(s) for Urgency (if applicable):**

**Exempt Report:**

**Background Papers**

**Report Author and Contact Officer**

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