
HUMAN RESOURCES AND PAYROLL SHARED SERVICES PROJECT FOR EAST KENT

To: **Cabinet – 7 May 2009**

Main Portfolio Area: **Corporate**

By: **Sue McGonigal – Director of Finance and Corporate Services**

Classification: **Unrestricted.**

Summary: *This report advises on the business case for setting up a shared service for human resources, health and safety and payroll across the East Kent councils. It seeks decisions from Cabinet and from Council on the delegation of these services to EK JAC under the terms of the collaboration agreement attached to the EKJAC agenda for 8 April 2009.*

For Decision

1.0 Introduction and Background

- 1.1 On 3 September 2008 the East Kent Forum considered the high level business case and agreed that the development of options around the provision of a HR shared service should be explored. On 3 December the East Kent Joint Arrangements Committee (EK JAC) considered an overview of the business case and agreed the following recommendations.
- 1.1.1 that responsibility be delegated to the East Kent Joint Arrangements Committee for the development of business models for a shared HR and Payroll Service between some or all of the parties and to make recommendations to them.
 - 1.1.2 that £10,000 be contributed to develop the project.
 - 1.1.3 that it be agreed that Kent County Council commence an appropriate procurement process for the acquisition of a suitable HR/Payroll software system, provided that the system shall not be acquired until the participating districts have approved the business model.
- 1.2 The above recommendations were approved by three of the partner authorities Cabinets during December and January.
- 1.3 Before progressing to Cabinet Thanet District Council requested a detailed business case, including financial modelling, to enable an informed decision to be made by Cabinet with regard to Thanet District Council's inclusion in a shared service, delivering HR, payroll and Health and Safety across the East Kent Authorities. It is important to stress that the purpose of requesting the detailed business case was not to develop target operating models and revised structures for the delivery of these services - that would be a matter for the host authority (Dover DC) and EKJAC to consider at a later stage (KCC in respect of payroll) - but to illustrate the achievability of the headline financial targets in the outline business case.
- 1.4 Thanet District Council has yet to contribute £10,000 to the project

2.0 The Current Situation

- 2.1 Further to the decision of EKJAC on 8 December 2008, Wendy Head, (Corporate Director, Organisational Performance, Shepway District Council), acting as Project Lead, has been engaged in developing business models which were reported to EKJAC on 8 April 2009. The report of Wendy Head and Jim McDonald (Director of Corporate Services, Canterbury City Council) considered by EKJAC at their meeting on 8 April 2009 is attached at **Annex 1**. The recommendations of EKJAC are attached at **Annex 2**.
- 2.2 The objectives of the project are to deliver:
- Efficiency savings (after initial set up costs have been incurred).
 - Increased service resilience.
 - Aligned business processes.
 - An efficient HR/payroll system which facilitates self service for managers and staff and provides relevant and timely management information.
 - Ready access for each partner to a larger pool of expertise for each authority through a combined team of high quality HR staff.
 - Greater buying/procuring power.
- 2.3 In the longer term the project is expected to deliver:
- A common job evaluation scheme.
 - A set of standard policies for adoption in all the partner organisations.
 - Greater development and career opportunities for staff in each authority.
 - A quality training programme that meets the needs of the partners, staff and managers on a timely basis.
 - Standardised terms and conditions across the East Kent authorities.

3.0 Options

- 3.1 Thanet District Council can either

Agree the recommendations of EKJAC and proceed with the Project. This is the preferred option as it will enable the council to participate fully in the benefits of the Project.

or

Not agree the recommendations – which would mean either that the Project would falter or, that it would proceed with all or some of the remaining councils. This option is not recommended as it would deprive the council of the opportunity of participating in the benefits of the Project and would leave longer term resilience issues within the HR and Payroll teams and the need for this council to make considerable budget savings in future years.

4.0 Corporate Implications

4.1 Financial

- 4.1.1 The council has the potential to make significant savings over 5 years whilst at the same time building resilience and modern technology into the service.

4.2 Legal

4.2.1 There are a number of issues as follows:-.

- (1) The Human Resources function encompasses matters which are the responsibility of the Cabinet but also some matters which are the responsibility of the Council. Therefore, both the Cabinet and the Council are required to approve the delegation of their respective responsibilities to EKJAC and the Council will be asked to consider an identical report at the next Council meeting. However, EKJAC has been constituted in a manner that enables it to discharge the full range of responsibilities delegated to it.
- (2) The Cooperation Agreement recognises that the Transfer of Undertaking (Protection of Employment) Regulations 2000 (TUPE) applies to the transfer of all relevant staff to the Host Authority. Consequently, it is intended that on 1 June 2009 all relevant Thanet District Council staff will transfer to Dover District Council on their current terms and conditions of employment, including pay, holiday entitlement and pension rights. As presently drafted, Thanet will be liable to indemnify Dover DC against any and all pre transfer liabilities and, jointly with the other delegating authorities, will be liable to indemnify Dover DC for any claims arising from any post transfer breach of the Regulations. It is therefore important that Thanet utilises its representation on EKJAC to ensure that any proposed future changes in the composition of the work force or in their terms and conditions are the subject of due consultation with the Trade Unions and implemented in a lawful manner.
- (3) As currently drafted, the Co-operation Agreement purports to delegate the whole of the HR function other than the appointment and dismissal of the Head of Paid Service, Chief Financial Officer and the Monitoring Officer. However, as it is the intention of all of the delegating authorities to also reserve 'strategic' HR (see Paragraph 6 below), it will be necessary to make some minor amendments to the co-operation Agreement. This can be agreed by the relevant Chief Executives under their delegated powers to agree minor amendments to give effect to the intentions of the parties to the Cooperation Agreement.
- (4) The Cooperation Agreement contains exit provisions enabling Thanet to withdraw and reinstate its own service. These are described at Paragraph 13 of the Agreement and require a minimum notice of a complete financial year.

4.3 Corporate Implications

4.3.1 Any staffing assumptions are based on the understanding of the business case being indicative to illustrate the achievability of headline financial targets given in the outline business case. Content that the model is feasible and that the resilience improvements will be gained make it a worthwhile objective.

4.3.2 The staff involved in the service will be transferred to Dover DC on 1 June 2009 on their current terms and conditions of employment. Thereon, it will be the responsibility of EKJAC and the new Shared HR Services Manager to determine how the Shared HR Service is going to deliver the efficiencies identified in the detailed business case.

5.0 Recommendations

5.1 Cabinet are requested to consider the recommendations made by EKJAC at their meeting of 8 April 2009 and to decide that with effect from 1 June 2009 Thanet District Council enters into the joint administrative arrangements described in the Administrative Collaboration Agreement at Appendix 2 to the Report of Wendy Head and Jim McDonald to EKJAC with one or more of Dover District Council, Shepway District Council and Canterbury City Council.

- 5.2 Cabinet is recommended to agree (in so far as the Administrative Collaboration Agreement relates to functions which are the functions of the Executive) that the functions set out in the Agreement shall be discharged by the East Kent Joint Arrangements Committee subject to the terms, conditions and limitations contained in the Agreement with effect from 1 June 2009 and that the Chief Executive be given delegated power to approve any amendments to the Agreement necessary to give effect to the Council's reservation of strategic HR and the common intention of the parties.

6.0 Reasons for supporting the option recommended

- 6.1 An overview of the detailed case for the creation of a shared HR and Payroll services and the delivery structure is set out in the report of Wendy Head and Jim McDonald considered by EKJAC at their meeting on 8 April is attached at Annex 1.
- 6.2 There are substantial financial savings available to the four councils from participation in the project – in excess of £2.5 million over 5 years. The benefits set out in the objectives can also be realised. The report to EKJAC sets out a risk assessment.
- 6.3 Thanet District Council realises the importance of having a HR Shared Service Client Officer to act as the Council's liaison with the Shared HR Service.
- 6.4 The Human Resources and Organisational Development Manager (Corporate Resource Manager) will therefore be retained to set, monitor and review the service standards provided by the Shared Service. Responsibilities will also include working in partnership with the Shared Service, to drive forward Strategic HR activities across the council and design a HR service plan, which supports the delivery of the council's corporate plan.
- 6.5 The business plan shows that the project can meet the objectives set out in the report and that sizeable efficiency savings can be obtained. Approval of the delegation therefore makes sound business sense.

7.0 Decision Making Process

- 7.1 This is a key decision published in the Forward Plan.
- 7.2 These matters will also be reported to Council on 21 May 2009, who will be asked to:
- 7.2.1 Consider the recommendations made by EKJAC at their meeting of 8 April 2009 and to decide that with effect from 1 June 2009 Thanet District Council enters into the joint administrative arrangements described in the Administrative Collaboration Agreement at Appendix 2 to the Report of Wendy Head and Jim McDonald to EKJAC with one or more of Dover District Council, Shepway District Council and Canterbury City Council.
- 7.2.2 Recommended to agree (in so far as the Administrative Collaboration Agreement relates to functions which are the functions of the Council) that the functions set out in the Agreement shall be discharged by the East Kent Joint Arrangements Committee subject to the terms, conditions and limitations contained in the Agreement with effect from 1 June 2009 and that the Chief Executive be given delegated power to approve any amendments to the Agreement necessary to give effect to the Council's reservation of strategic HR and the common intention of the parties.

Meeting: Cabinet	Date: 7 May 2009
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Reporting to:	John Bunnett, Deputy Chief Executive

Annex List

<i>Annex 1</i>	<i>Report of Wendy Head and Jim McDonald considered by EKJAC 8 April 2009</i>
<i>Annex 2</i>	<i>Recommendations of EKJAC from their meeting of 8 April 2009</i>

Corporate Consultation Undertaken

Finance	
Legal	<i>Harvey Patterson-Head of Legal & Democratic Services</i>