

Committee: Cabinet

Date: 7th December 2015

Agenda item:

Wards: All

Subject: HR service update

Lead officer: Caroline Holland

Lead member: Mark Allison

Contact officer: Gareth Young (x4889)

Recommendations:

- A. That Cabinet note the update of the work to establish a new model for the council's HR service
 - B. That Cabinet support the long term ambition to establish a shared HR service with London Borough of Richmond upon Thames (LBRuT) and Wandsworth Borough Council (WBC) and also support the setting up of an internal interim HR service and support the delegation of further decision making about its establishment to the Director of Corporate Services
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. On the 29th June officers updated Cabinet of the decision to give notice to the London Borough of Sutton (LBS) that of Merton's intention to exit the HR service currently shared by the two authorities.
- 1.2. At the time officers detailed the council's intention to explore alternative options over the coming months.
- 1.3. This work has now been completed and the council intends to proceed with a short term and long term plan.
- 1.4. In the short term alternative partnerships are not deliverable and as such the council will develop an interim HR service starting in 2016 with the work to develop an alternative model to follow.
- 1.5. In the long term the council proposes to work towards forming a shared HR service with the London Borough of Richmond upon Thames (LBRuT) and Wandsworth Borough Council (WBC). Because this service would be best delivered with a shared IT platform we do not anticipate delivering this service for at least two years.

2 DETAILS

- 2.1. Following the announcement that the London Borough of Sutton (LBS) and Royal Borough of Kingston (RBK) were going to be working together to set up a shared HR service the London Borough of Merton (LBM) gave notice that we intended to leave the current HR shared service we have with LBS.

- 2.2. This notice period expires on the 31st May 2016 although there has been some discussion of agreeing an earlier exit date to ensure that all the service development lines up. Simultaneously, LBS and RBK are moving to a shared HR service and LBRuT are moving to a shared service for all services with WBC.
- 2.3. LBM have, for the past few months, been working with LBRuT and WBC to investigate the potential for a shared three borough HR service. The ambition was to move to a truly shared HR service between the three boroughs that would have a shared ownership and governance.
- 2.4. As well as investigating the potential options for forming a shared service the work also involved getting legal advice about the best approach to securing a shared HR IT platform on which to deliver the service. All three boroughs currently use the ITrent platform but from different suppliers – LBM and LBRuT are part of the South West London partnership, accessing ITrent through Agilisys while WBC access a different ITrent contract, which LBRuT intend to join.
- 2.5. Following this due diligence phase the 3 boroughs have agreed to pause our pursuit of a shared HR service. This is for the following reasons:
 - Legal advice is that WBC cannot join our shared HR system and Payroll contract with Agilisys. The same advice is that councils can leave the Agilisys contract and join WBC's contract with Midland HR for ITrent – but only until 2018 and with substantial exit and set-up costs
 - LBRuT and WBC are going to be focused on their Shared Staffing Arrangement (SSA) for the next two years. The system issues and disruption that this will cause will limit the ability to do the work necessary to make a shared service a success
- 2.6. The lack of a shared system also makes developing a great shared service difficult. As such, we have agreed to pause the work but with a shared commitment that we should still work towards a shared service underpinned by a shared system.
- 2.7. As such, Merton now proposes to develop an interim in house HR service to launch at the expiry of the notice period in 2016 and run it until such a time as a shared service with LBRuT and WBC can be developed.
- 2.8. The intention is to work closely with staff, unions and service recipients to develop a service that can meet the council's needs over the next 2-3 years. This will involve developing a new structure, looking again at the processes and resources of the team and reviewing the various contracts the HR service currently access.
- 2.9. We have started scoping this work – holding staff workshops and consulting informally with service recipients, staff and trade unions about the future model. At the same time staff have been informally consulted about their transfer to LBM. This will be formally managed in early 2016.

3 ALTERNATIVE OPTIONS

- 3.1. The two options discussed in section 2 are the main two options; create an interim in-house HR service or form a shared service with WBC and LBRuT.
- 3.2. It is the view of officers that any attempt to create a shared service with partners who are not fully ready to undertake the work necessary to make a service a success would lead to a less than optimal service. Likewise, shared services without appropriate shared IT platforms are less likely to be a success. By waiting until all parties are ready and the IT platform can be established we stand a far better chance of establishing an excellent shared service.
- 3.3. Other alternatives such as a shared service with another partner or outsourcing exist although these would not be deliverable in the timescales we now have available. The door has not been closed to any of these options even as we pursue our shared service with WBC and LBRuT.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. Consultation on this takes three forms:
 - 4.1.1 TUPE consultation – this is being led by LBS as the employer and will take place in two stages – an initial consultation which concluded on the 11th October and a final formal consultation which will take place prior to transfer early in 2016.
 - 4.1.2 Consultation with managers – In order to establish what the new HR service needs to prioritise consultation has been held with all DMTs. Further consultation will continue during the development process.
 - 4.1.3 Consultation with staff and trades union – A new structure for the HR service will be needed and as such we will need to consult with the staff transferring into the service to complete this. This is currently being done informally whilst options are being developed but a formal consultation will follow. Any final decisions about new structures cannot be made until after staff have transferred to LBM from LBS.

5 TIMETABLE

- 5.1. We anticipate the staff transferring to Merton on either 1st April 2016 or 1st June 2016 and the new interim service to go live two months after that.
- 5.2. We anticipate the new three borough shared service to go live in the next two to three years but there is a lot of work needed to test this assumption.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The Merton part of the current shared HR service has a budget of £2.4m in 2015/16. The new service will be expected to live within that financial envelope and achieve the savings set out in the MTFs. However, due to disruption of bringing the service back in house some of those savings, as they relate to staff reductions, have been deferred until later in the current MTFs period.
- 6.2. As such, the current savings requirements are as follows:

	16/17 '000	17/18 '000	18/19 '000	TOTAL '000
Human Resources	142	362	448	952

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. LBM has given notice of its intention to leave the Collaboration Agreement signed with LB Sutton that governs the delivery of the shared HR service. The exit clauses of that agreement will need to be followed.
- 7.2. Appropriate processes around TUPE (Transfer of Undertaking (Protection of Employment) regulations) will also need to be followed.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. An Equalities Analysis will be carried out to accompany any staff restructure

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

None

12 BACKGROUND PAPERS

- 12.1. Shared Internal Audit Service and Update on HR Shared Service; Cabinet 29/6/15