OUTLINE BUSINESS CASE (OBC) TEMPLATE

Human Resources and Organisational Development Transformation Programme

Council Management Portfolio

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Document Control

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1. Executive Summary

1.1 Introduction

This OBC seeks approval to initially invest an additional estimated £3.5m in baseline HR&OD resource funding from 2022/23 to take the baseline budget to £8.1m, reducing to £7.7m in 2025/26. This is required to transform the HR&OD function with an overarching vision to be a best in class People Service, achieved by empowering our people and proactively providing the insight they need, becoming a trusted partner to enable the Council to deliver on its promises and committed to enabling our diverse talent to flourish.

Through the design of the service delivery model the function will become an insightful partner, providing brilliant basics and excellent customer service, continually innovating, and leveraging the use of technology. A learning culture will be created across the Council with clear inclusive career pathways and proactive management of Council talent.

1.2 Strategic Case

1.2.1 The strategic context

The HR&OD Transformation Programme supports the proposals set out in the 'Investing in our Future' report of 19 January 2021, which includes support for a new Council operating model. This new model incorporates the provision of world class support and governance services, delivered on an in-house basis, designed from first principles to achieve the Council's key objectives.

The proposals also incorporate the 'ask' from the Council's Delivery Plan 2020-2022, where there is an expectation that parts of the organisation will be required to change in real and profound ways. This will mean ensuring that the Council's core People Service is able to support change, deliver improvements and do so in a way that is both assured and consistent. If the Council says it is going to make a change, it is important that it is delivered by winning consent and engaging the workforce. Delivering change in a fair and constructive way together with the support of our trade union colleagues. To deliver this the People Service must be equipped to focus on creating a positive workplace culture and supporting the specific changes the organisation needs to deliver in the coming months and years. More broadly, the service will ensure the sustainability of the Council by developing a core training and development offer for all staff, refreshing the Workforce Strategy to deliver a representative diverse workforce, and investing to ensure that we train the leaders of the future in a Fit for Purpose Council.

The aim of the HR&OD Transformation Programme is to introduce a new best in class comprehensive target operating model and create a new People Service. The model sets out

the path required to become a true world class enabling function to support the delivery of the Council's ambitions. The model has been developed with KPMG, in conjunction with the HR&OD team and senior leaders. It is not simply about a restructure it is about transforming the service.

1.2.2 The case for change

The Council is going through a period of unprecedented change and this is exposing several gaps in our people capabilities. It is also clear that the foundations of what the HR&OD department is accountable for are not in place, starting with the basics through to a strategic direction.

Overall, the function today is more reactive and transactional than consultative, with capability gaps at all levels. The function has reduced by 45% FTE since 2016 (229 to 127 – both figures including temporary project funding) leading to capacity challenges, which are keenly felt by the business and create a firefighting culture which leads to limited value add activity. Some specific feedback received from key customers with regard to the quality of service from the HR&OD team is as follows:

'The team are considerably under resourced and so allocation of time to case work is stretched impacting quality of service'

'We need a more strategic service that appreciates the context and has time'

'Too distanced from day to day operations'

'The systems are archaic, bureaucratic and inefficient. The point of contact is inconsistent which is not helpful'

A complicated history in dealing with equal pay claims has resulted in a risk averse culture, which creates a political risk; costly employment tribunal claims and pressure as years of mismanagement of a reward structure is starting to be addressed. This has a big impact on the council's engagement and relationship with our people.

Due to the design of the service there is siloed working between the HR and OD teams leading to confusion both for customers and members of the teams themselves.

The lack of comprehensive workforce and career planning means vacancies are filled in an unplanned and ad hoc way across the council, which fails to address the issues relating to diversity and being representative of our community. Low engagement levels are compounded by the lack of a performance management culture, where successes are recognised, and personal development becomes a regular conversation.

Investment in learning and development has not consistently been set in the context of the council's needs nor aggregated for the benefit of the organisation, and no link to succession planning.

Leaders and managers, both within the HR&OD function and across the council, are working at least a level or two below to fill the capability gaps, both in thinking and doing. The roles of leaders and managers have not been clearly articulated; accountability, behaviours and building organisation capability comes a poor second to task management, in a reactive environment where everything is urgent and important.

The lack of digital solutions to drive the people processes means there are inefficiencies in the system, with HR&OD colleagues spending time on administrative tasks instead of adding value.

Many of the people policies and processes are complex, risking inconsistent application and in addition are not aligned to the Council's values and behaviours.

A Workforce Strategy is in place, updated in 2020 for the two years 2020-2022, but there are limited directorate workforce strategies / plans and limited alignment of cohesive joined up activity in the HR&OD function to achieve the Strategy. Key strategies, required to achieve the workforce aims are not in place, for example culture, talent, learning, engagement, reward, and resourcing.

In terms of the delivery of HR&OD services there are limited service level agreements (SLAs) or key performance indicators (KPIs) to monitor performance.

Delays in producing data, a lack of forward-looking data and limited insight hampers the ability of the organisation to make proactive decisions on people matters. Therefore, achieving the benefits from the integrated ERP system is key for the success of the programme.

Based on the issues highlighted above the key components of the transformation programme are summarised below:

For our people

It is the right thing to now invest in our HR&OD people and our systems to improve what we do and how we do it. Personal development benefits the council, our customers, and our people.

For our employees

We are a customer orientated function and want to reshape and align ourselves to ensure our customers receive a best in class and best value service.

For 'best in class'

We need to move toward best practice, such as being an embedded strategic partner to the business.

For value for money

We need to modernise ourselves for the challenges of tomorrow and meet the people challenges of today.

A summary of expected outcomes includes:

- A new Assistant Director role to further provide leadership, direction, and influence to support the strategic value the People Partners can add
- Greater accountability and control in one unified HR & OD team
- Increased focus on Business Partnering, creating an improved strategic relationship with customers
- Reduction in process duplication by creating centralised Centres of Excellence driving best in class strategy and policy, and a Service Delivery Centre, driving standardisation, consistency, and efficiency
- Increased oversight of strategic workforce strategy and workforce planning
- Clearer career pathways within HR & OD, helping to attract and retain talent
- Develop new capabilities in analytics and strategic value add services
- Embrace modern technologies to drive process efficiency, hybrid working and automation

Ultimately increasing productivity and capability in the workforce to deliver a great service to our citizens and setting an example of a great place to work for the city of Birmingham.

1.3   Economic Case

1.3.1   The long list

KPMG were engaged by Birmingham City Council at the beginning of 2021 to undertake a review of the function to meet the objectives as described. To develop a proposal for a target operating model the KPMG team undertook an approach based on three key principles:

- Consultative – listen and incorporate the views of stakeholders, including the HR&OD function, internal customers, and Council leadership.
- Co-development – created the vision and design principles through group discussion, ensuring that the operating model is in line with the views of the HR&OD function.
- Best practice – whilst appreciating the good practice that already exists within the HR&OD functions KPMG were open to best practice from outside of BCC, including from other sectors.

Their 4-step process was to analyse current state, create the vision and design principles, develop a proposal for a leading practice informed target operating model and finally to spell out the roadmap and next steps.

1.3.2 The preferred way forward

Based on the above analysis, the preferred and recommended way forward is to implement a target operating model, based on the HR leading practice of David Ulrich. Over the last two decades the Ulrich model has become the standard way for large complex organisations to organise their HR service delivery. This brings several benefits to as the model is more driven by the business and the internal voice of the customer. The target operating model is founded on its vision and a set of eight design principles.

Our vision for a best in class People Service:

• We empower our people by proactively providing the insight they need
• We are a trusted partner, enabling the Council to deliver its priorities
• We are committed to enabling all of our diverse talent to flourish

The design principles are as follows:
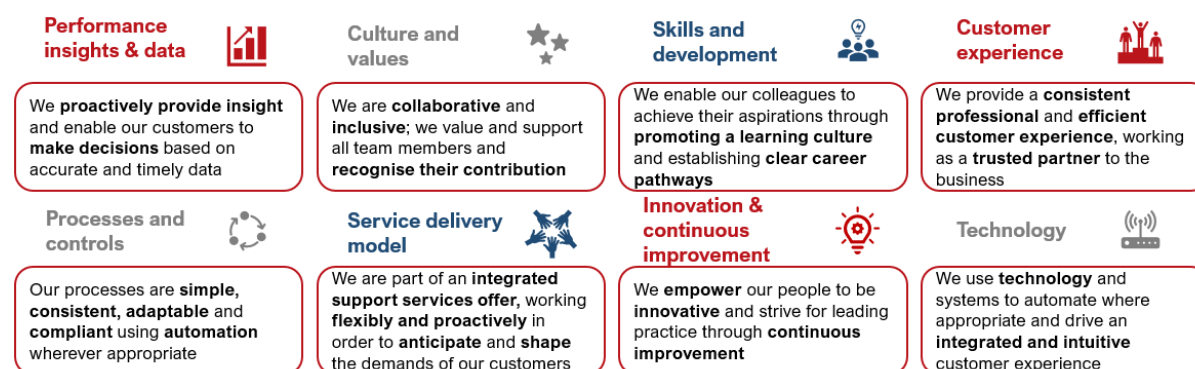
The model itself is based around six layers –
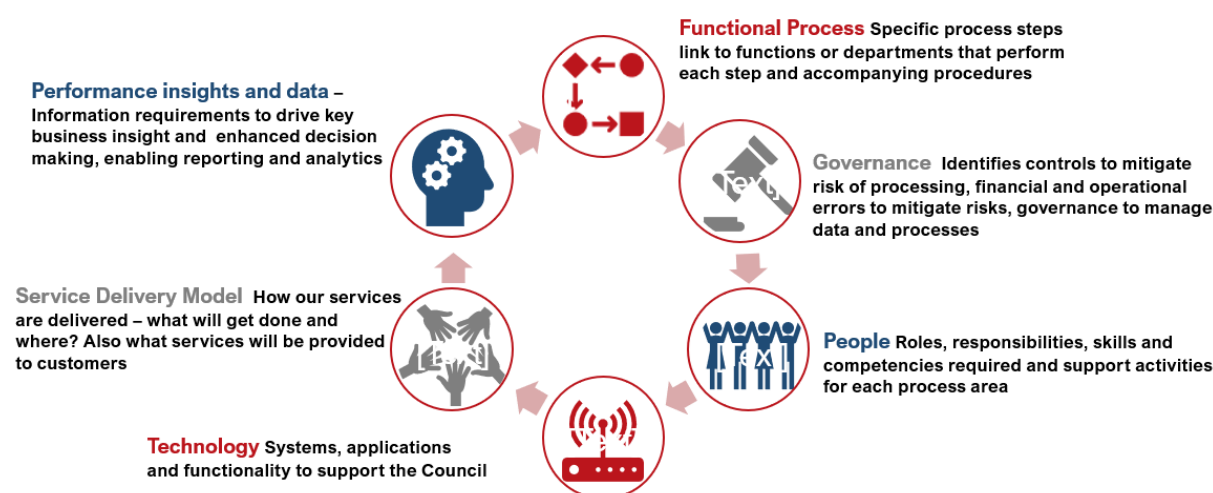
The model re-introduces business partnering through new People Partner roles. A clear distinction between strategic activities taking place within the People Centres of Excellence and transactional execution, which is delivered within a service delivery centre. A specialist data reporting and analytics function designed to be integrated with other enabling functions, including finance. Tiers of service delivery, as set our below, illustrate where transactional versus more strategic activities will take place across People Services. Triage (tier 0), transactional processing (tier 1) and advisory (tier 2) all take place within the People Services Delivery Team. The other 3 groups deliver at tier 3 only. Part of the People Services vision is to enable the Council to deliver its priorities and for all our diverse talent to flourish. To deliver on this vision it is proposed that, in the new service delivery model, wellbeing is aligned with OH and Safety. This is to provide a more holistic approach and achieve synergy from the services offered, with an aim to increase the wellbeing of our workforce, to increase attendance and ultimately employee engagement. The schools traded service is excluded from this review.

In all options listed below the New Ways of Working project has been excluded as this programme is subject to its own Business Case.

The high-level model can be seen in the diagram below:
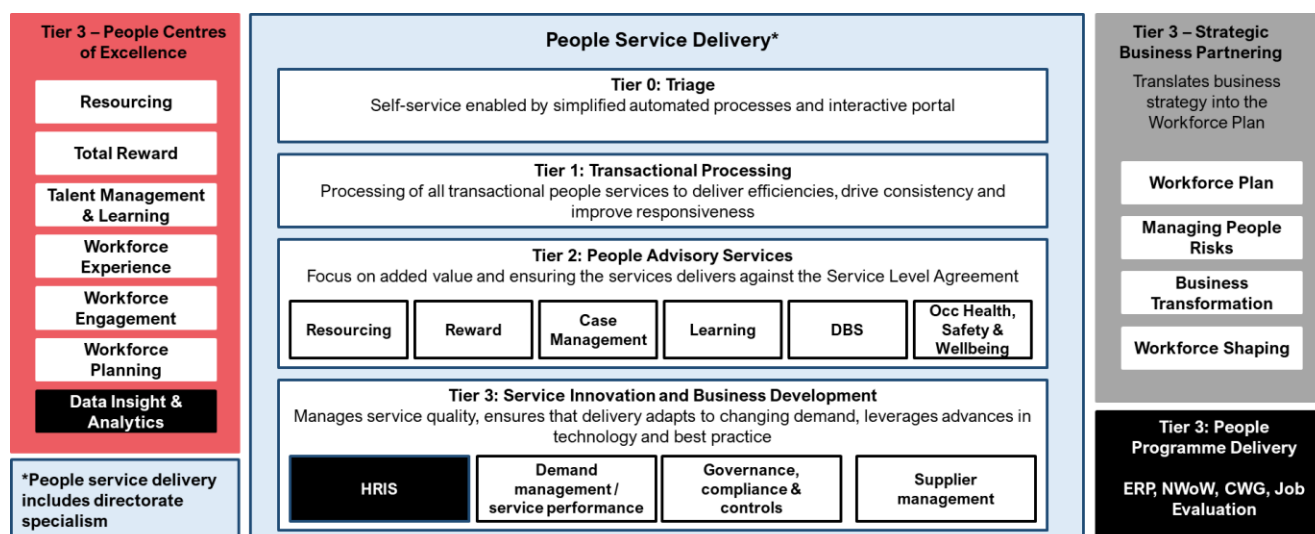
1.3.3 The short list

To implement the recommended Target Operating Model the following short list of options emerged:

- Option 1 – status quo, do nothing or do minimum
- Option 2 – TOM implementation in full, based on a zero-based budget and complete service redesign
- Option 3 – TOM implementation based on more ambitious transformation and service standards on a zero-based budget
- Option 4 – TOM implementation based on less ambitious transformation and lower service standards on a zero-based budget

1.3.4 Key findings

Option 1 – Status quo

As described above this option does not provide the Council with the best in class HR&OD service it requires to deliver the stretching aims of the Investing in our Future plan. Temporary funding would continue supplying short term ad hoc resource with firefighting as a prevailing culture. A recent stress audit identified unsustainable levels of stress within the service which will have an increasingly negative impact on staff wellbeing and service delivery. Value add services would not be provided and without full workforce, talent, and resourcing strategies the organisation will hit a cliff edge with an aging workforce. There would also be significant risk to the benefits of the 1B programme being realised without the associated view of policy, processes, and systems reviews. It is also very likely that employee engagement in the Council would remain low and managers feeling that the service standards they receive is below par. Current satisfaction scores with the service can be seen below.

Quality of service scores

The HR&OD team and a selection of key customers were asked 'How would you rate the quality of service HR provides to the business?

HR&OD Team — 58 questionnaire responses from HR&OD team

Customers — 17 questionnaire responses from key customers

Average rating 3.4
40% rated between '4-5'

Significant difference in perception

Average rating 2.3
59% rated between '1-2'

Making a positive difference everyday to people's lives
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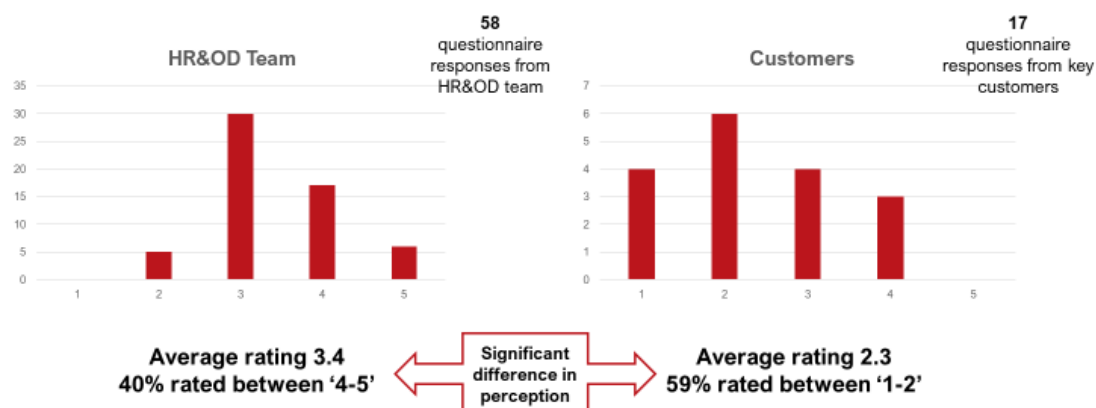
In addition, the service would not reach the full levels of maturity as required by a best in class service. Current assessment puts the Service at an average of 2.4 with world class at a 5.
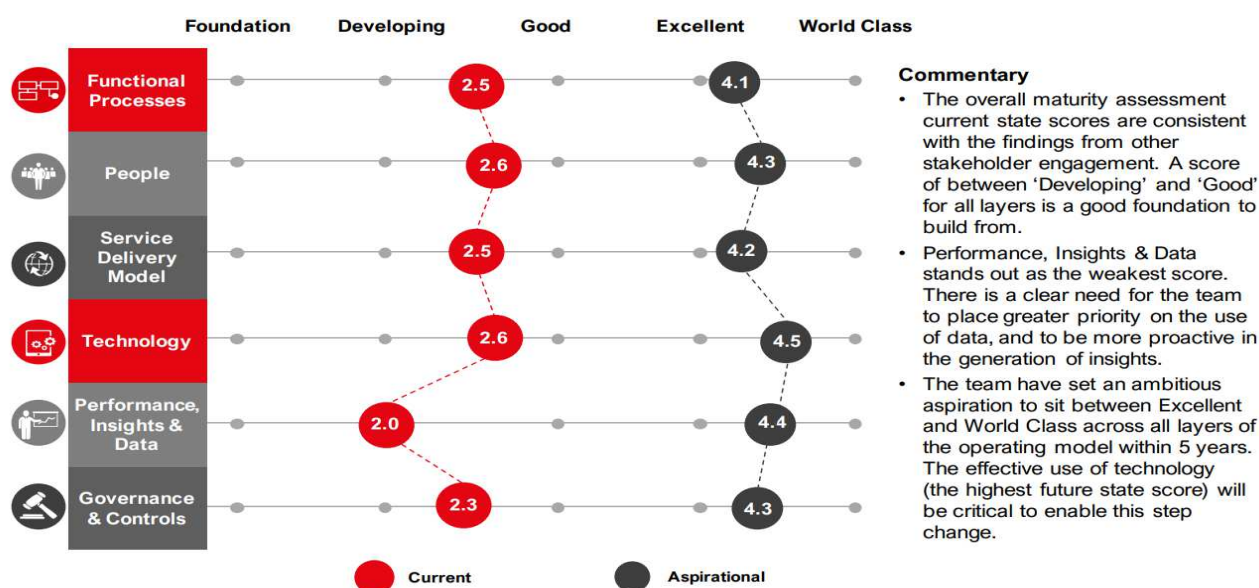
Option 2 – Implement full TOM

The TOM has been reviewed against the current service provision and a zero-based budget approach used. This has resulted in an increased need for an uplifted core budget by c. £3.5m and a core headcount increase of 59, against a current headcount of 88.83 FTE and an associated base line budget of £4.6m. It is anticipated that the reliance on project funding and associated headcount would decrease accordingly, other than that required of the Job Evaluation Project which is time bound to 2023/24. The full aims of the TOM can be realised in this model. It is anticipated that a small number of the workforce would be impacted where there is not a match across from current roles into the future model. However, this will be minimised and there would be an aim to move to a more stable core workforce by, wherever possible, making fixed term contracts permanent, reducing acting ups and secondments – currently running at 50% of the HR&OD workforce. There is no intention to put 'round pegs in square holes' and assessment of capability against roles would be required, in accordance with Council policies.

The impact can be seen below, which also includes the current 127 roles (119.12 FTE) currently funded by business cases, which end on the 31 March 2022:

	Grade – Current FTE	Grade - Proposed FTE	Shortfall / surplus	Grade – Current FTE – Including Projects	Grade - Proposed FTE	Shortfall / surplus
JNC	3	4	1	3	4	1
GR7	4	12	8	4	12	8
GR6	6	16	10	10	16	6
GR5	19.02	44	24.98	26.87	44	17.13
GR4	32.11	28	-4.11	43.81	28	-15.81
GR3	22.7	42	19.3	28.7	42	13.3

GR2	2	2	**0**	2.74	2	**-0.74**
	88.83	**148**	**59.17**	**119.12**	**148**	**28.88**

Year on year headcount is proposed to reduce as the ERP and JE projects cease and the full benefits of Oracle are felt in the organisation. With an increase in employee engagement activity it is also anticipated that here will be reduced case management and sick absence. With more channel shift to Tier 0 – self-service – less staff will be required in the Tier 1 service. 4.7% of People Services roles are proposed to be new entrant apprentices.

A proposed high-level outline functional structure can be seen below.

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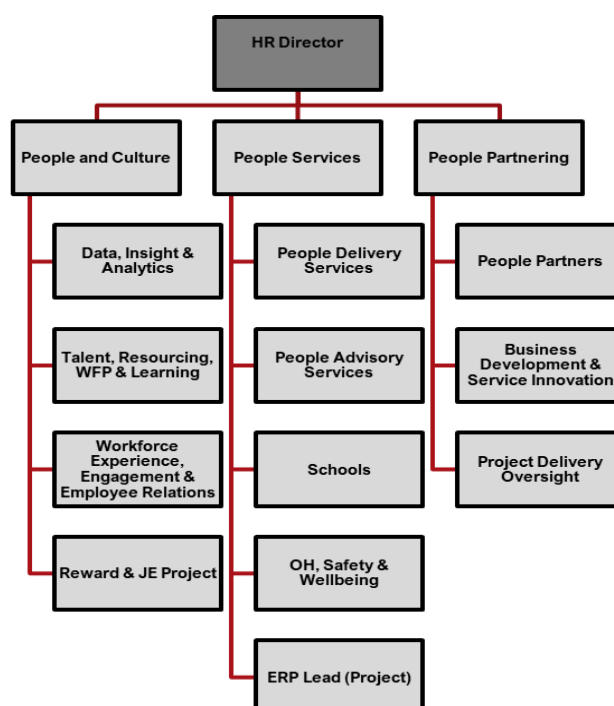
A more detailed view of each functional area can be seen in the table below:

People Services		
People Partnering	**People Partner** • Senior people specialists aligned to directorates • Develop directorate workforce strategies and plans • People risk and issue management	**Business Development and Service Innovation** • People services performance • Commercial opportunities • Service innovation • Business continuity, FOIs	**Project Delivery Oversight** • New Ways of Working Project • Commonwealth Games
People and Culture	**Talent** • Talent and succession • Leadership development • Learning and development **Resourcing** • Resourcing strategy • Resourcing Advisory service **Workforce Planning** • Council Workforce Planning • WFP advisory service	**Employee Relations** • Employee relations framework and activity • Employee lifecycle **Employee Engagement** • Organisation effectiveness • Collective values and behaviour frameworks • Employee engagement actions **Data Insight & Analytics** • Data capture and creation • Data interrogation, dashboard design and management, data quality and data governance	**Total Reward** • Pay and grading • Reward and Benefits **Job Evaluation Project** • Job analysis • Working styles
People Services Delivery	**Service Delivery** • Tier 0 and 1 people delivery services and HRIS • Tier 2 people advisory, case work and job analysis service **Schools People Service** • Full range of people services to schools provided as a traded service		**Occupational Health, Safety and Wellbeing** • H&S strategy, assurance & auditing • Mental Health advice • Occupational Health Service • Wellbeing **ERP** • Design, Build, Testing and Implementation • Post implementation Oracle support

Option 3 – More ambitious

The current budget is made up of core and project funding. This has resulted in 50% of the service being on either fixed term contracts, acting up or secondments. This creates a level of uncertainty and does not lead to a stable workforce with employees growing in roles and being able to confidently see their future career paths, as jobs may cease when project funding ends. In a complex environment with much to do with the workforce this is not sustainable. This option looks to create a strong base of permanent contracts and people in the right roles with the right skills.

This option looks to increase service standards by bolstering employees working in People Services Delivery and therefore reducing reliance on Manager and Employee self-service. It introduces a People Partner and Senior People Partner to each directorate as listed below.

- Places, Prosperity and Sustainability
- Council Management and Strategy, Equalities and Partnership
- City Operations
- City Housing
- Adult Social Care
- Education and Skills

Apprenticeships are increased to 10% and there is no reduction of workforce over time. A specialist resourcing expert has been introduced to bolster the recruitment team.

This option would enable the service to transformation quicker and reach maturity 'world class' at a faster rate and undoubtedly satisfaction with the service would increase from the current 2.3 rating. Effectively this would offer a more 'gold plated' service to the Council. However, the Council may not be ready to absorb the work generated by such a large team and with spare capacity old habits may be formed with the service taking over some of the line manager role.

The FTE for this option is 176 as follows:

	Grade - Current	Grade - Proposed	Shortfall / surplus
JNC	3	4	1
GR7	4	13	9
GR6	6	18	12
GR5	19.02	47	27.98
GR4	32.11	42	9.89
GR3	22.7	50	27.3
GR2	2	2	0
	88.83	176	87.17

The proposed budget for Option 3 would be £9.5m – an additional cost of £4.9m from the current of £4.6m funding.

Option 4 – Less ambitious

The time required to achieve full effectiveness of the Model would place a huge demand on the service where both levels of capacity and capability are not in place. With this less ambitious option the Model would take longer to become effective, if ever, and provide potentially a lower level of customer satisfaction. Roles in this option are reduced significantly and People Partners reduced to Grade 6 with no support roles and no Assistant Director.

Benefits to this option are that there would be less upheaval for the team but without an injection of expert resource across all centers of excellence the model will not achieve its aims. Customer satisfaction with the service is already poor and this would extend resolution times and may impact considerably the implementation of the 1B system.

	Grade - Current	Grade - Proposed	Shortfall / surplus
JNC	3	3	0
GR7	4	4	0
GR6	6	16	10
GR5	19.02	36	16.98
GR4	32.11	24	-8.11
GR3	22.7	35	12.3
GR2	2	2	0

	88.83	120	31.17

The proposed budget for Option 4 would be £6.4m – an increased cost of £1.8m from the current of £4.6m funding.

Summary of Options:

	FTE	Budget (£m)
Option 1 – Do Nothing/Do Minimum/Status Quo		
Total	**88.83**	**4.6**
Option 2 – Reference Project/ Outline Public Sector Comparator		
Total	**148**	**8.1**
Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)		
Total	**176**	**9.5**
Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)		
Total	**120**	**6.4**

Option appraisal conclusions:

- Option 1 – this option ranks 3
- Option 2 – this option ranks 1
- Option 3 – this option ranks 2
- Option 4 – this option ranks 4

1.3.5   Overall findings: the preferred option

Summary of overall results:

Evaluation Results	Option 1	Option 2	Option 3	Option 4
Economic appraisals	3	1	4	2
Benefits appraisal	3	1	2	4
Risk appraisal	3	1	2	4
Overall ranking	**3**	**1**	**2**	**4**

The overall conclusion is to progress with Option 2 and implement the Target Operating Model in full, by seeking Cabinet approval followed by full meaningful consultation with trade unions, the HR&OD Team and wider stakeholders, with an aim to implement by end of March 2022.

1.4   Commercial Case

1.4.1   The procurement strategy
 Not applicable

1.4.2   Required services
Not applicable

1.4.3   Potential for risk transfer and potential payment mechanisms
Not applicable

1.5   Financial Case

1.5.1   Financial expenditure

Summary of financial appraisal:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Preferred option:								
Revenue	8,109	8,189	7,642	7,723	7,813	7,820	7,827	55,123
Funded by:								
Existing	4,556	4,556	4,556	4,556	4,556	4,556	4,556	31,889
Additional	3,554	3,633	3,087	3,167	3,257	3,264	3,272	23,234
Total	**8,109**	**8,189**	**7,642**	**7,723**	**7,813**	**7,820**	**7,827**	**55,123**

In addition to the base line budget funding request funds are being requested to deliver the Job Evaluation Project. This project is time bound and will last throughout 2022/23 and into 2023/24 as detailed below. This amount is being requested to fund the project team – 1 x Grade 6, 2 x Grade 5 and 12 x Grade 4 job analysts. The project team will be undertaking a full evaluation of all jobs within the council, using the Gauge evaluation software (a nationally recognised approach). The aim of this project is to ensure fair and equal pay is achieved through a robust evaluation and grading of all BCC roles. All roles in the Council will be evaluated and analysed as part of this project. This activity supports a review of the Council's Pay and Grading Framework - leading to better attraction, retention with a market led, fair and transparent process.

	Year 0	Year 1	Year 2	Total
	£000s	£000s	£000s	£000s
Expenditure	736	379	0	1,115
Funded by:				
Capital	736	379	0	1,115

1.5.2 Overall affordability and balance sheet treatment

The aim of this Business Case is to seek additional base line budget in the MTFP for the HR and OD function to create a best in class People Service for the Council. The increase in investment here is to enable the rest of the organisation to deliver and make their own workforce savings to achieve a balanced medium-term financial plan. A best in class HR function is required to ensure the Council is equipped to deal with the challenges ahead and enable a direct impact on the 41% of controllable budget that is our staffing.

Indirect savings are anticipated from improvements in attendance, productivity, and resourcing models – achieved through effective workforce planning.

Based upon data taken from SAP, in 2020 there were 74,000 FTE working days lost due to sickness absence with an associated cost of approx. £12m. Part of the People Services vision is to enable the Council to deliver its priorities and for all our diverse talent to flourish. To deliver on this vision it is proposed that, in the new service delivery model, wellbeing is aligned with OH and Safety. This is to provide a more holistic approach and achieve synergy from the services offered, with an aim to increase the wellbeing of our workforce, to increase attendance and ultimately employee engagement. Through the TOM it is anticipated that with higher engagement, better equipped managers and with centres of excellence designing leading practice interventions absence will reduce. If this is as much as 10% then savings of £1.2m could be realised in reduced absence cost alone.

In addition, it is well recognised that Workforce Planning underpinned by talent, learning and succession strategies will mean that BCC can grow own talent and reduce the need for contingent resource . Spend on agency, interim, consultants and consultancy companies (2020/21 spend) is c£80m. With workforce costs at £346m in 2020/21 this means that of the budget spent on resource 19.5% is spent on contingent labour. Again, if this were reduced by 10% it would mean a saving of £8m.

In the latest full staff survey in 2019 43% of staff would recommend Birmingham City Council as a great place to work (39% in 2018). With interventions across all people policies, systems, and practice, including revised pay and grading, learning and talent strategies – as well as upskilling of managers it is anticipated that this will increase. With increased engagement productivity would be increased, retention of key talent and higher quality hires as BCC would be seen as an 'Employer of Choice'. In addition, it is likely the Council would see less grievances, dignity at work complaints and disciplinary cases. It is hard to quantify a specific amount of savings, but studies have shown that activity in this area can make the organisation more efficient and citizens happier with the service provided.

1.6 Management Case

1.6.1 Project Management arrangements

The Programmes governance arrangements can be seen below.

Proposed structure for governance in 2021:

Programme Governance

0 **Existing Governance – Monthly**
Advising senior stakeholder on the overall status and progress of the programme, flagging certainty, risk, cost and quality of work.

1 **Programme Board – Monthly**
Providing Senior Leadership with assurance that the programme is on track for successful delivery. This includes ensuring the plan is realistic and deliverable, that there is certainty over costs and benefits, key issues are effectively managed and risks mitigated.

2 **Workstream Board (x6) – Fortnightly/Weekly**
Focus of this forum will be twofold: Firstly to manage the scope of each workstream and ensure subsidiary activities are suitably well defined; Secondly to track the delivery of each workstream to completion. This includes providing clarity on status, plans, costs, and whether improvements are fit for purpose.

3 **Project Team Meetings – Weekly**
Individuals sessions led by leads with their delivery teams, to track progress and delegate tasks.

0 Existing governance

1 Programme Board

Outputs
- Delivery Plan reporting
- 1B ERP reporting
- Corporate performance / PMO

2 Workstream Board (x6)

Key Inputs
- Workstream initiation documents
- Workstream updates
- Workstream plans
- Key decisions / approvals

3 Project Team Meetings

Key Inputs
- Project initiation documents
- Project updates
- Project plans
- Key decisions / approvals

Programme Leadership

Programme Sponsor	Programme Lead
Rebecca Hellard	Dawn Hewins
• Promotes, advocates and shapes the Programme; • Attends the Programme Board to provide oversight and advice.	• Ultimately responsible for leading and delivery of the Programme; • Leads the Programme Board, and challenges workstreams owners.

Key Stakeholders

Programme Board attendees

Stakeholder	Responsibility
Business Representatives	• Provides review and challenge from a business perspective, including business feedback on improvements.
Internal Audit	• Updated on progress, providing advice on the assurance of programme outcomes and links to audit findings.

Programme Board reporting

Stakeholder	Responsibility
Portfolio Holder for Resources	• Informed of progress against programme plan and Delivery Plan, providing strategic direction and challenge.
Corporate Performance / PMO	• Updated on progress, including specific Vital Signs and Milestones/Accountabilities, providing advice on corporate alignment.
1B ERP	• Engaged on improvements which may influence ERP design, and provides updates on progress on ERP implementation.

1.6.2 Benefits realisation and risk management

There are four key measures that the programme will focus on in terms of seeing the direct benefits for the team itself:

- **For our employees**
  Internal customer perception of HR&OD Service. A selection of key internal customers was asked how they would rate the quality of service HR provides to the business (on a 5-point rating in Feb 2021) with a rating of 2.3 with an aim to get to 5.

- **For best in class**
  The KPMG HR Maturity Assessment Tool is designed around the six target operating model elements, and provides a framework to understand the current position, as well as an aspirational position on the impact of the HR &OD function. KPMG rate World Class as 5 and current self-assessment rating is 2.4 with an aspiration to achieve 4 across the 6 elements.

- **For our people**
  The programme will focus on HR&OD development and career pathways, by implementing a competency framework with career pathways and development interventions identified – including apprenticeships at Level 3 to Level 7 and all staff to have a Personal Development Plan in place.

- **For value for money**
  The Workforce Strategy will be revised from 2022+ to support the delivery of the council's priorities. The overarching Council strategy to be underpinned by directorate workforce strategies and plans

In addition to the specific direct measures the transformation of the HR&OD service will lead to ultimately increasing productivity and capability in the workforce to deliver a great service

to our citizens and setting an example of a great place to work for the city of Birmingham. There is a well-established and growing body of evidence demonstrating the business benefit of employee engagement, these benefits are seen in employees having a more meaningful relationship with their work, customer satisfaction, and increased productivity, which is a long-standing structural challenge. The centres of excellence and developing leading practice strategies and upskilling our leaders and managers will be designed to increasing employee engagement and we would expect to then see better outcomes for our citizens.

This is a time of extraordinary change – demographically, technologically, politically – and the transformed HR&OD service will ensure that we are equipped to respond to these challenges and become a Fit for Purpose Council.

1.6.3   Post project evaluation arrangements

Please see above for how the evaluation of the programme will be considered and held to account.

1.7   Recommendation

It is recommended that Cabinet approves the proposed Target Operating Model to transform the Human Resources and Organisational Development to achieve a best in class People Service. It is also recommended that Cabinet approves the increased costs for the proposed People Services Target Operating Model structure in the Medium-Term Financial Plan from 2022/23, to c. £8.1m per annum, an increase to base line budget of £3.1m, option 2 as detailed above.

Signed:

Interim Director Council Management

2 Strategic Case

2.1 Introduction

This OBC seeks approval to initially invest an estimated £3.5m in core HR&OD funding for 2022/23. This is required to transform the HR&OD function with an overarching vision to be best in class and achieved by empowering our people and proactively providing the insight they need, becoming a trusted partner to enable the Council to deliver om its promises and committed to enabling our diverse talent to flourish.

Through the design of the People Service delivery model the function will become an insightful partner, providing brilliant basics and excellent customer service, continually innovating, and leveraging the use of technology. The aim is to create a learning culture with clear career pathways and being collaborative and inclusive.

At present the core budget for the service is £4.6m with an additional £2.2m project funding for 2021/22. A zero-based review has been undertaken and this has identified that the project funding is used for activity that should be part of a core service offering, such as apprenticeship levy delivery & succession planning, culture change, directorate change and industrial relations. As outcomes are realised through the transformation programme the core service budget is expected to decrease to £7.7m in 2025/26.

2.2 Structure and content of the document

This OBC has been prepared using the agreed standards and format for business cases, as set out in the Green Book.

The approved format is the Five Case Model, which comprises the following key components:

- The strategic case sections. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
- The economic case sections. This demonstrates that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimises value for money (VFM)
- The commercial case sections. This outlines what any potential deal might look like
- The financial case sections. This highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme
- The management case section. This demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.

The purpose of this section is to explain and revisit how the scope of the proposed project or scheme fits within the existing business strategies of the organisation and provides a compelling case for change, in terms of existing and future operational needs.

Please refer to the Strategic Outline Programme (SOP) and Strategic Outline Case (SOC), noting any key changes since the production and approval of these documents.

2.3 The Strategic Context

2.3.1 Organisational overview

The HR&OD Transformation Programme supports the proposals set out in the 'Investing in our Future' report of 19 January 2021, which includes support for a new Council operating model. This new model incorporates the provision of world class support and governance services, delivered on an in-house basis, designed from first principles to achieve the council's key objectives.

The proposals also incorporate the 'ask' from the council's Delivery Plan 2020-2022, where there is an expectation that parts of the organisation will be required to change in real and profound ways. This will mean ensuing that the Council's core corporate services are able to support change, deliver improvements and do so in a way that is both assured and consistent. If the Council says it is going to make a change, it is important that it is delivered by winning consent and engaging the workforce. Delivering change in a fair and constructive way – with the support of our trade union colleagues. This is about the organisational development teams being equipped to focus on creating a positive workplace culture and supporting the specific changes the organisation needs to deliver in the coming months and years. More broadly, the service will ensure the sustainability of the organisation by developing a core training and development offer for all staff, refreshing the Workforce Strategy, and investing to ensure that we train the leaders of the future.

The aim of the HR&OD Transformation Programme is to introduce a new comprehensive target operating model and to set out the path required to become a true world class enabling function to support the delivery of the council's ambitions. The model has been developed with KPMG, in conjunction with the HR&OD team and senior leaders.

To enable a more fit for purpose Council the proposals incorporated a number of key changes to the Council's back office functions, including the creation of a new Council Management function that brings together all the enabling functions, including finance, digital and technology, legal and human resources and enhanced resources to support the Chief Executive in delivering the breadth of change required.

Part of this change includes ensuring that the council's core corporate services can support change and deliver improvement and to do so in a way that is both assured and consistent. The aim of the HR&OD Transformation Programme is to introduce a new target operating model and to set out the path required to become a true world class enabling function to support the delivery of the council's ambitions.

2.3.2 The case for change

As outlined in the Investing in our Future report the Council is going through a period of unprecedented change and this is exposing several gaps in our people capabilities. It is also clear that the foundations of what the HR&OD department is accountable for is not in place, starting with the basics through to a strategic direction. With years of no clear direction on 'what good looks like' to be an employer of choice we are now starting to see what happens when the organisation's greatest asset has not been invested in or nurtured. With no overarching policy framework which sets out what it means to work for Birmingham City Council in a modern and values-based context there are little anchors and ability to provide assurance.

Overall, the function today is more reactive and transactional than consultative, with capability gaps at all levels. The function has reduced FTE by 45% since 2016 (229 to 127 both figures including project funded posts) leading to capacity challenges, which are keenly felt by the business and create a firefighting culture which leads to limited value add activity.

A complicated history in dealing with equal pay claims has resulted in a risk averse culture, which creates a political risk; costly employment tribunal claims and pressure as years of mismanagement of a reward structure is starting to be addressed. This has a big impact on the council's engagement and relationship with our people.

Due to the design of the service there is siloed working between the HR and OD teams leading to confusion both for customers and members of the teams themselves.

The lack of comprehensive workforce and career planning means vacancies are filled in an unplanned and ad hoc way across the council. Low engagement levels are compounded by the lack of a performance management culture, where successes are recognised, and personal development becomes a regular conversation.

Investment in learning and development has not consistently been set in the context of the council's needs nor aggregated for the benefit of the organisation, and no link to succession planning.

Leaders and managers, both within the HR&OD function and across the council, are working at least a level or two below to fill the capability gaps, both in thinking and doing. The roles of leaders and managers have not been clearly articulated; accountability, behaviours and building organisation capability comes a poor second to task management, in a reactive environment where everything is urgent and important.

The lack of digital solutions to drive the people processes means there are inefficiencies in the system, with HR&OD colleagues spending time on administrative tasks instead of adding value.

Many of the people policies and processes are generally outdated, long, and inconsistent and not aligned to the council's values and behaviours.

A Workforce Strategy is in place, updated in 2020 for the two years 2020-2022, but there are limited directorate workforce strategies / plans and limited alignment of cohesive joined up activity in the HR&OD function to achieve the Strategy. Key strategies, required to achieve the workforce aims are not in place, for example culture, talent, learning, engagement, reward, and resourcing.

In terms of the delivery of HR&OD services there are no service level agreements (SLAs) or key performance indicators (KPIs) to monitor performance.

Delays in producing data, a lack of forward-looking data and limited insight hampers the ability of the organisation to make proactive decisions on people matters. Achieving the benefits from the integrated ERP system is key for the success of the programme.

Based on the issues highlighted above the key components of the transformation programme are summarised below:

For our people

It is the right thing to now invest in our HR&OD people and our systems to improve what we do and how we do it. Personal development benefits the council, our customers, and our people.

For our employees

We are a customer orientated function and want to reshape and align ourselves to ensure our customers receive a best in class and best value service.

For 'best in class'

We need to move toward best practice, such as being an embedded strategic partner to the business.

For value for money

We need to modernise ourselves for the challenges of tomorrow and meet the people challenges of today.

Outcomes include:

- Assistant Director roles to provide leadership, direction and influence within People Services, Council Management and across Services

- Greater accountability and control in one unified HR & OD team

- Increased focus on Business Partnering, creating an improved strategic relationship with customers

- Reduction in process duplication by creating centralised Centres of Excellence driving best in class strategy and policy, and a Service Delivery Centre, driving standardisation, consistency, and efficiency

- Increased oversight of strategic workforce strategy and workforce planning

- Clearer career pathways within HR & OD, helping to attract and retain talent

- Develop new capabilities in analytics and strategic value add services

- Embrace modern technologies to drive process efficiency, hybrid working and automation

Ultimately increasing productivity and capability in the workforce to deliver a great service to our citizens and setting an example of a great place to work for the city of Birmingham, which in time will deliver savings across the council. The HR&OD service will collaborate with delivery departments, key stakeholders, and other enabling functions to work towards creating centres of excellence and strategic Business Partners, as well as having brilliant basics in place for People Services.

The lack of comprehensive workforce and career planning means vacancies are filled in an unplanned and ad hoc way. Low engagement levels across the Council are compounded by the lack of a performance management culture, where successes are recognised, and personal development becomes a regular conversation.

A snap shot of current state and an outline of the target state can be seen below:
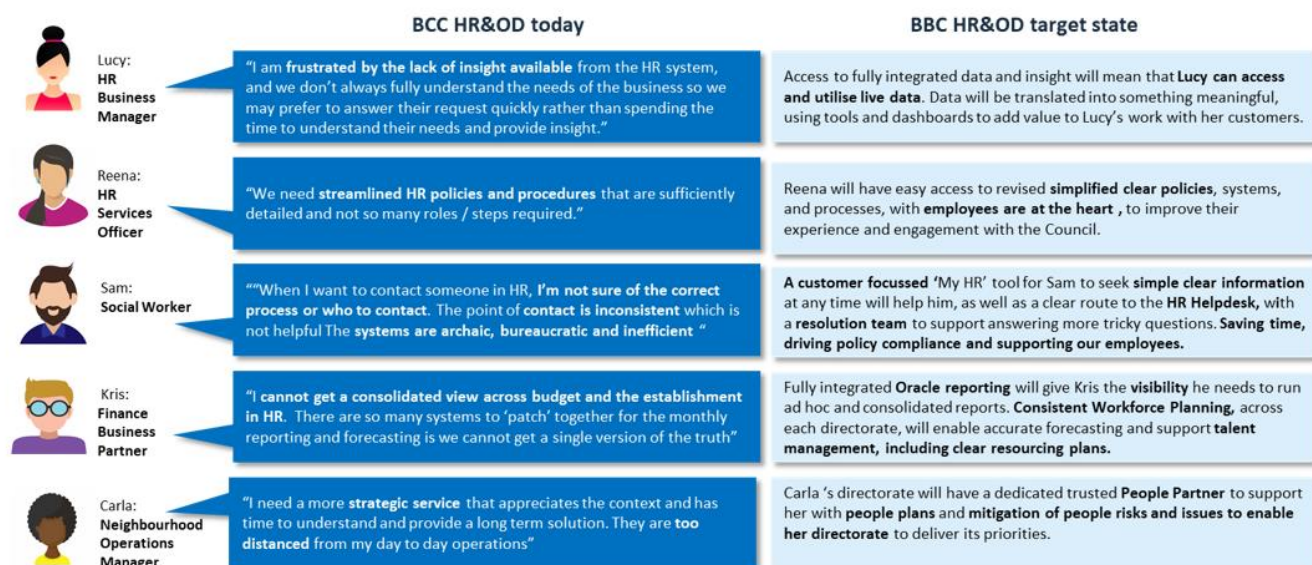
However, this programme cannot be just about fixing the HR&OD service, most if not all of what the team does is based on the needs of the Council so it's about doing this in parallel with the organisation wide development of our people. One cannot happen without the other and this will require significant resources and investment, in the context of the council's change agenda.

The programme is dependent upon the 1B programme and achieving the benefits from a new integrated ERP system and the service provided must be aligned to the operating model of

Finance and other support services, across both strategic and transactional areas, ensuring efficiency and a single version of the truth.

For the HR&OD Transformation to be successful the programme needs to be properly funded and held to account for delivery. The programme intends to build on the model developed by KPMG in February 2021 and follow leading practice design and implementation.

2.3.3 Business strategies

The Investing in Our Future' is the business strategy that the HR&OD TOM underpins. As well as getting fit for purpose to deliver the 2020/22 Delivery Plan and to support the achievement of the MTFP and becoming a fit for the purpose council.

2.3.4 Other organisational strategies

The Workforce Strategy and associated people strategies – resourcing, talent, reward and learning and skills will all be reviewed or developed with the introduction of the TOM. The New Ways of Working Programme is also aligned as well as the other enabling services' TOMs – such as finance and procurement. The principles within the Customer Strategy also feature in the TOM, which puts the customer at the heart of the model.

2.4 The Case for Change

2.4.1 Investment objectives

The investment objectives for this project are as follows:

- Investment objective 1: Introduce the proposed target operating model, which includes a service delivery model of People Partners, Centres of Excellence, and a transactional service centre, by the end of March 2022, by increasing core budget to c. £8.5m
- Investment objective 2: Develop a comprehensive Workforce Strategy to increase the efficiency and effectiveness of the council's workforce, underpinned by a clear delivery plan, by the end of June 2022.

The following aims will be achieved through the introduction of our best in class operating model:

Performance insights & data - we proactively provide insight and enable our customers to make decisions based on accurate and timely data

Culture and Values - we are collaborative and inclusive; we value and support all team members and recognise their contribution

Skills and Development - we enable our colleagues to achieve their aspirations through promoting a learning culture and establishing clear career pathways

Customer Experience - we provide a consistent professional and efficient customer experience, working as a trusted partner to the business

Processes and Controls - our processes are simple, consistent, adaptable, and compliant using automation wherever appropriate

Service Delivery Model - we are part of an integrated support services offer, working flexibly and proactively to anticipate and shape the demands of our customers

Innovation & continuous improvement - we empower our people to be innovative and strive for leading practice through continuous improvement

The target operating model can be seen in the diagram below:
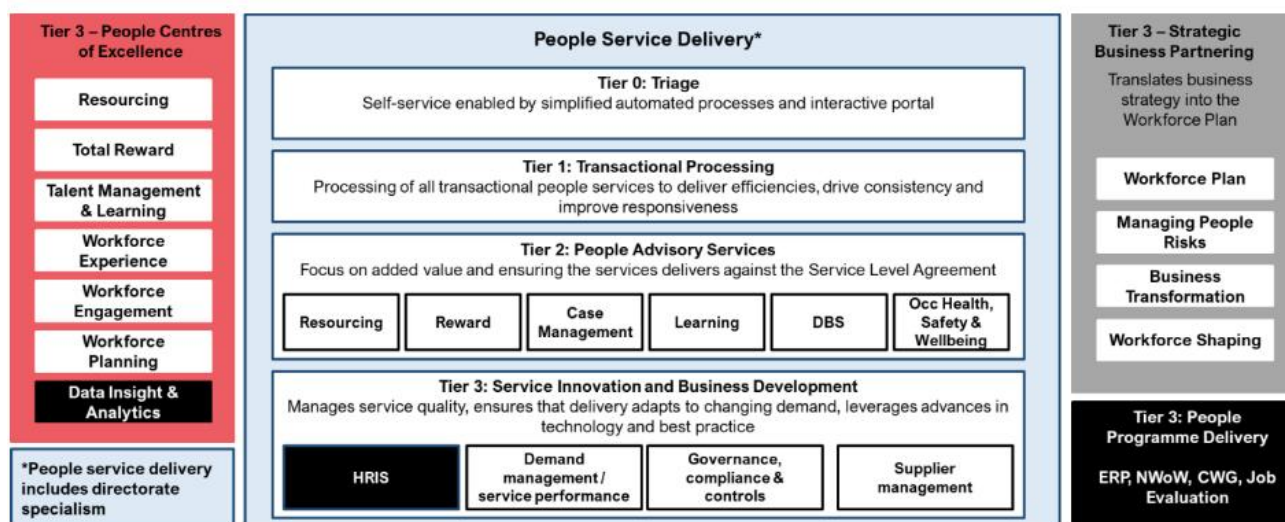
A more detailed explanation of the different elements can be seen below:
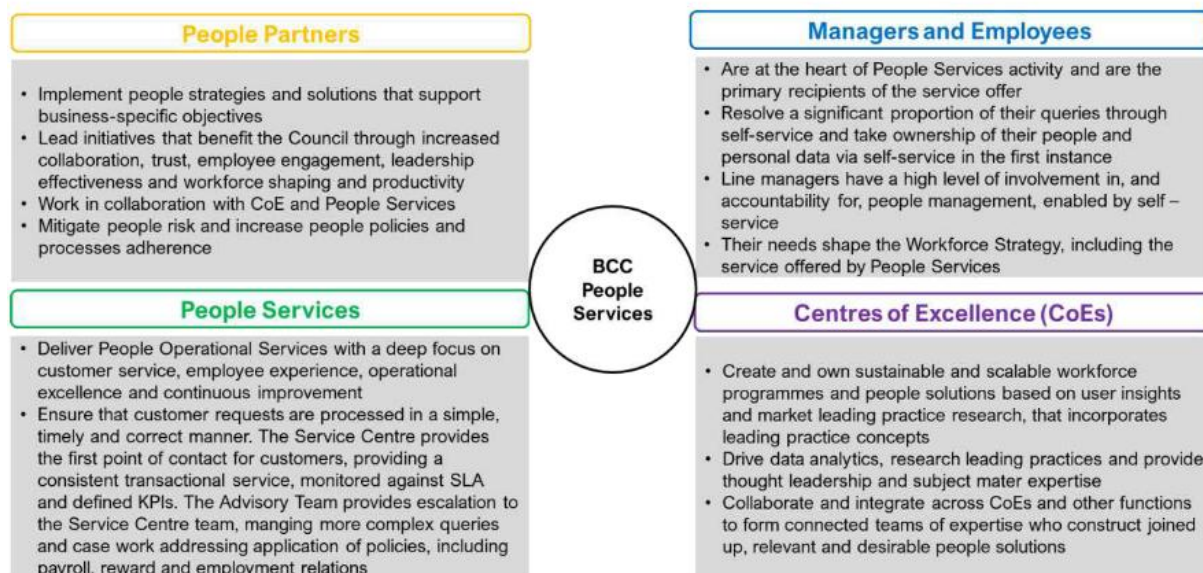
2.5   Existing Arrangements

The existing arrangements are as follows.

The Council is a large and complex organisation and the requirements of the HR&OD team are significant. The directorate has 88.83 FTE who are funded by base line budget. The FTE are bolstered by an additional 38 FTE who are funded by temporary project funds, excluding the Schools traded service. Headcount has reduced significantly with restructures taking place in 2017, 2018 and 2019). 50% of the team are also on FTC acting up or secondment. The function is split between two teams – Human Resources and Organisational Development.

Total employment costs account for 41.44% of net spend yet the HR&OD team is 0.84% of total net spend – which is low by industry standards (Bloomberg 2018 HR Benchmarks Report). A 5-year study by Xpert HR found the median number of employees covered by an HR Practitioner in steady state is 63. For the Council based on 10,000 employees an 'average' FTE should be in the range of 159 (CIPD People Management 'How big should an HR team be' Sept 2020).

Just over 16% of the Council workforce are over60 years old (c.1,700 people), and 40% are over 55 (c. 4,000 people), but there is no resourcing plan for how they are going to be replaced. Sickness absence YTD (at May 2021) was an average of 8.38 days per FTE.

The HR team are supporting 219 live open cases (101 absence) with 154 > 6 months and an average 136 days to close with 11 ET cases and a significant equal pay liability. There are 778 open jobs currently being recruited to.

Non-compliance by managers leads to the HR team conducting more checks and completing low level actions than they should be doing – mandated by audit reports. Only 11% of all Council employees have completed the mandatory employee learning modules (2 months into the year). 5,116 new activities were recorded in HR Services inbox and 408 DBS checks in the month of June.

All this indicates a significant and increasing workload which is distracting HR/OD resource from value adding strategic activity within the business plan.

Funding is also a mix of core and project budget as can be seen below.

Table 1: Existing Costs

Existing costs (£)	Core Budget	Projects*	Total
Current	4,555,593	£2,295,00	6,850,593

***Projects:**

Apprenticeship Levy Delivery	£160,000
Apprentices (Succession Planning)	£350,000
Culture Change	£450,000
Directorate Change	£230,000
Equalities Review Team	£205,000
Review HR Records (ERP Data Cleanse)	£237,000

Job Evaluation Project	£363,000
Employee Relations Unit	£300,000
Total:	**£2,295,000**

The project funding leads to uncertainty and creates an unstable workforce.

2.6   Business Needs

The diagram below highlights the current 'ask' from the HR&OD function. The team is being asked to design and deliver a significant number of new solutions to meet needs and organisational demand, all at the same time, which us a big ask for mature teams let alone a team that is still trying to get the basics right.
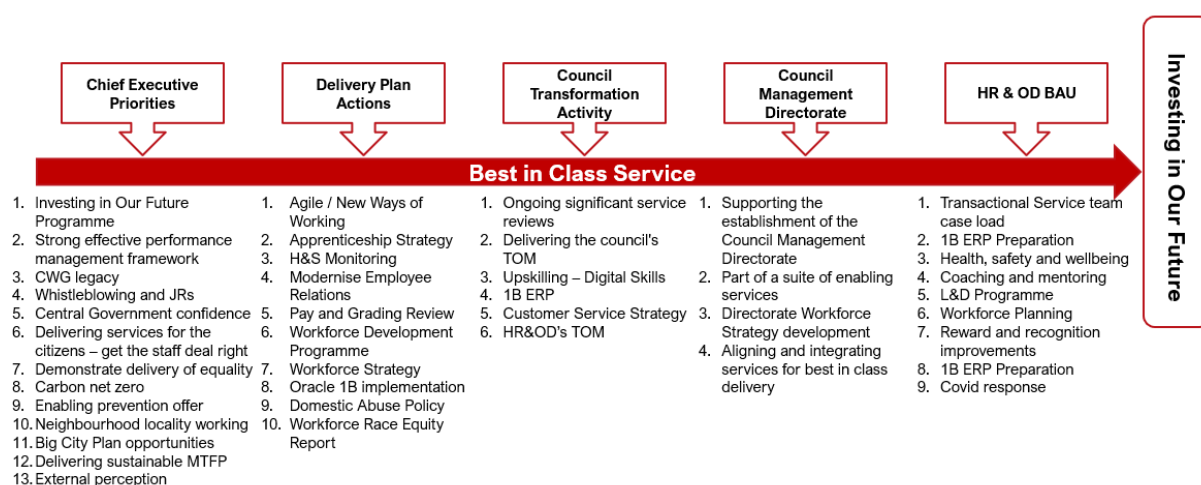
2.7   Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs.

The transformation of the Human Resources and Organisational Development directorate is being undertaken through the introduction of a new target operating model and a renamed 'People Services' function. The target operating model is founded on its vision and a set of eight design principles. The vision for a best in class People Service is as follows:

- We empower our people by proactively providing the insight they need
- We are a trusted partner, enabling the Council to deliver its priorities
- We are committed to enabling all our diverse talent to flourish

The People Services target operating model has been designed to ensure that the Council has the best in class services from one of its key enabling functions to meet its ambitions.
The model is underpinned by the assumption that all our workforce come to work because they want to make a positive difference every day to people's lives. We are a city of growth where every child, citizen, and place matters. That means we have big challenges to face, whether that's supporting living, working, and learning in the city, tackling climate change, or making sure everyone who lives or works in Birmingham gains from us hosting the

Commonwealth Games. People Services play a key role in supporting our ability to manage these challenges. Modernising and transforming our people policies, systems and processes will help us achieve this faster and will help us do our best work in easier ways, fit for the 21st century.

Our current systems within the existing HR&OD services will not help Birmingham achieve its ambitions long term so, together with 1B, this is an opportunity to modernise the way we work and serve our customers and citizens in better ways. That means we have big challenges to face.

The aim is to ensure that through the development of a revised Council Workforce Strategy, as a key output of the model, we can demonstrate how the Council will support its employees to contribute to our Council ambitions.

As one of the largest employers in the city and a workforce, of whom the majority are also local citizens, the Council can contribute to these outcomes by ensuring our workforce is properly equipped with the skills required to use technology effectively and deliver services appropriately in the future. We will provide jobs within the Council in an inclusive way that ensures a diverse workforce that reflects the communities served.

With new centres of excellence, we can ensure that the development of resourcing and total reward strategies together with a focus on learning, skills, and talent, are reflective of what the Council needs now to be a modern employer, as well as anticipating what it will need in the future.

Through supporting the volunteering programme and seconding key talent from the Council the People Services team can support the flexible and agile apprach we are taking to aligning to seeking the most from hosting the Commonwealth Games. Programmes outlined in the model, such as New Ways of Working, will have a positive impact on the Council's ability to achieve all its priorities and therefore should have a positive impact on achieving the zero-carbon target for the city.

Outcomes

The People Services operating model's design principles are a series of statements which provide a framework to support design decisions. These reflect our priorities and level of ambition for the future. The outcomes that the Model will deliver have been described against our principles, together with an outline plan of delivery.

Design Principle:	Delivering:
Performance insights & data **We proactively provide insight and enable our customers to make**	• Relevant, timely and accurate data and insight will be proactively provided enabling the Council to make informed decisions and operate effectively. • Data will be translated into something meaningful, using tools and dashboards where appropriate to add value to our customers.

decisions based on accurate and timely data	
Culture and Values **We are collaborative and inclusive; we value and support all team members and recognise their contribution**	• A high performing People Services team, continually improving, by sharing successes, addressing challenges, and learning from mistakes collectively. • The Council's priorities will be delivered by 'one' collaborative People Services team, brave and willing to challenge, taking managed risks where it is needed to deliver. • The team is agile and flexible, valuing diversity of skills, knowledge, and background and as a high trust team every individual has autonomy to make decisions at the right level, without fear of reprisal. • Shaping a high trust, positive workplace culture based on values that are lived and positive behaviours • A culture where all our people feel valued, motivated and can thrive.
Skills and Development **We enable our colleagues to achieve their aspirations through promoting a learning culture and establishing clear career pathways**	• Diverse talent, which is representative of our city is attracted, developed, motivated, and retained • Improved capacity and capability by investing in our people to acquire the right skills, knowledge, and competencies, at the right time, enabling them to perform and excel in their role to deliver excellent services for the people of Birmingham. • A culture of continuous learning and development is in place in which employees are enabled to drive their own learning based on their aspirations. • The development of our people is invested in through definition of career pathways and opportunities identified for growth and progression. • The workforce feel they are being provided with a safe and secure workplace where they can speak up about any unsafe practices, provided with information and tools they need to carry out their role safely without harm. • Visible leadership for health and wellbeing, where open dialogue is encouraged leading to action on mental health and wellbeing.
Customer Experience **We provide a consistent professional and efficient customer experience, working as a trusted partner to the business**	• Customers feel valued by receiving a consistent, professional, flexible, and efficient experience. • Customers understand the best channel to enable them to solve their problems. • High quality online guidance, leveraging technology enables customers to be self-sufficient, gaining information at a time and place that suits their needs. • All customers feel heard and understood. • Social mobility and inclusion principles are at heart of the operating model and Workforce Strategy by putting customers at the heart of the model.

Processes and Controls **Our processes are simple, consistent, adaptable, and compliant using automation wherever appropriate**	• Transactional activities are automated where appropriate to improve customer experience • Guard rails are in place for processes to ensure compliance and mitigate risk • A clear framework is in place that empowers people to exercise autonomy and make decisions at the right level. • Employees are at the heart of policies, systems, and processes to increase their experience and engagement with the Council.
Service Delivery Model **We are part of an integrated support services offer, working flexibly and proactively to anticipate and shape the demands of our customers**	• The service provided is aligned to the operating model of Council Management services, across both strategic and transactional areas, ensuring efficiency and a single version of the truth. • A single People Services team is in place, clearly aligned around People Partners, Centres of Excellence, and a transactional service centre. • The full resource and cost implications of undertaking People Services work is known, using this to make decisions on service provision. • Clear expectations are set for customer service through Service Level Agreements and key performance indicators.
Innovation & continuous improvement **We empower our people to be innovative and strive for leading practice through continuous improvement**	• Customer feedback is sought and acted upon where appropriate to address pain points. Combined with insight from data and root cause analysis to identify improvement opportunities. • The People Service team achieves best in class services. • Decisions are evidence-based using service management KPIs to drive continuous improvement
Technology **We use technology and systems to automate where appropriate and drive an integrated and intuitive customer experience**	• Process automation drives workflow efficiency, customer satisfaction, and supports customer engagement and decisions. • Digital and mobile-enabled employee experience is simple and intuitive, delivering a single source of truth. • Technology advances – will be maximised to reduce complexity and deliver automation in the right places.

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. By investment objectives these are as follows:

2.8 Main Risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

Table 4: Risks and counter measures

Main Risk	Counter Measures
The design of the model does not ensure that the vision and design principles are achieved.	The KPMG model is based on leading practice and has been developed through consultation with key stakeholders. Consultation on the design and associated implementation will be key in mitigating this risk.
The development of the model and capacity in HR&OD leadership, staff and conflicting priorities may lead to a risk in achieving the right structure, policies, processes, and systems.	Capacity in the leadership team of HR&OD is a risk in the development of the model. Time is allocated but existing workloads make this scarce. The appointment of an interim HRD will provide more capacity.
Implementation risks • supplier • timescale • specification and data transfer • cost risks • change management and project management • training and user	Change and engagement in the model is a risk. Supplementing the programme team with a Lead Project Manager and additional interim capacity to lead Workstreams will ensure there is sufficient resource to counter this. As well as working with the IB team to align communications. Project timescales may slip if sufficient resource cannot be found to lead workstream activity. Funding has been agreed to support this work.
Operational risks • supplier • availability • performance • operating cost • project management	Implementing the TOM at the same time as the 1B implementation creates resource and capacity risks. Further resource will be provided through funding already approved.
Termination risks	Not applicable

2.9 Constraints

The project is subject to the following constraints:

- The Schools traded HR&OD service is not included in this review

2.10 Dependencies

The project is subject to the following dependencies that will be carefully monitored and managed throughout the lifespan of the scheme.

There is a significant Oracle ERP implementation programme (1B) ongoing which covers HR, Finance, and procurement. If implemented appropriately, the new Oracle system will enable the HR&OD functions to significantly improve and modernise current ways of working.

This Business Case is based in the needs of the council, so it is about doing this in parallel with the Council wide development of the workforce. One cannot happen within the other and this will require significant resources and investment in the context of the council's 'Investing in Our Future' agenda. Financial investment and a different approach to the budgets that support HR&OD and our workforce is critical, and the function needs a strong core budget, which can be invested to grow capability, rather than short term project funding.

The Equality, Diversity, and Inclusion Head of Service and their team is within the Cohesion and Equalities Division, as part of the Assistant Director for Community Safety and Resilience responsibilities, which is of course a significant dependency within the programme. The Centres of Excellence in the model above will ensure that through the design and implementation of leading practice policies and processes the Council will become an Employer of Choice and deliver on BCC ambition's in this area, notably to lead with an accessible and inclusive mindset in strategic planning and operational decision making, to make the Council a place where employees can bring their whole authentic selves and to be truly representative at all levels in the organisation.

The focus on the People Services Resourcing and Talent functions will support the work within the Council on the findings of the 'Breaking Down Barriers: Working Towards Birmingham's Future'. This is a Cabinet Office produced report, examining the impact of Covid-19 on young people in Birmingham. This report specifically focuses on the effects of the pandemic on youth employment in the city, and the challenges faced by young people seeking employment and work experience. The work of the Centres of Excellence will review how we support and improve the employment, education and training landscape in Birmingham and feed into the new Employment Strategy, which will also be informed by the findings of this report and an extensive ongoing programme of engagement with young people themselves.

3   Economic Case

3.1   Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the OBC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

3.2   Critical success factors

The critical success factors (CSFs) shown within the SOC were as follows:

- achieving a world class HR and OD service through the introduction of a new target operating model (TOM)
- aligning the TOM to the Oracle ERP programme
- aligning the TOM to the wider Council management enabling services
- becoming an exemplar employer of choice for the city of Birmingham

3.3   The long-listed options

KPMG were engaged by Birmingham City Council at the beginning of 2021 to undertake a review of the function to meet the objectives as described. To develop a proposal for a target operating model the KPMG team undertook an approach based on three key principles:

- Consultative – listen and incorporate the views of stakeholders, including the HR&OD function, internal customers, and Council leadership.
- Co-development – created the vision and design principles through group discussion, ensuring that the operating model is in line with the views of the HR&OD function.
- Best practice – whilst appreciating the good practice that already exists within the HR&OD functions KPMG were open to best practice from outside of BCC, including from other sectors.

Their 4-step process was to analyse current state, create the vision and design principles, develop a proposal for a leading practice informed target operating model and finally to spell out the roadmap and next steps.

The proposed target operating model is based on the HR Model of David Ulrich. Ulrich is a university professor, author, speaker, management coach and thought leader in HR. Over the last two decades the Ulrich model has become the standard way for large complex organisations to organise their HR service delivery. This brings several benefits to as it is more driven by the business and the internal voice of the customer. The introduction of leading practice business partnering through new People Partner roles. A clear distinction between strategic activities taking place within the People Centres of Excellence and transactional execution which is delivered within a service centre. A specialist data reporting and analytics function designed to be integrated with other enabling functions, including finance. Tiers of service delivery, as set our below, illustrate where transactional versus more strategic activities will take place across People Services. Triage (tier 0), transactional processing (tier 1) and

advisory (tier 2) all take place within the People Services Delivery Team. The other 3 groups deliver at tier 3 only.

This option has been re-visited in the context of the OBC and remains valid.

3.4   Short-Listed Options

The short list shown within the SOC was as follows:

- Option 1 – status quo, do nothing or do minimum
- Option 2 – TOM implementation in full, based on a zero-based budget and complete service redesign
- Option 3 – TOM implementation based on current core budget and project funds with a limited service redesign
- Option 4 – TOM implementation as proposed – no overarching service redesign

In detail, the short-listed options are:

Option 1 – the do nothing, do minimum or status quo

This option provides the benchmark for VFM and is predicated upon the following parameters:

Scope: This maintains the current service delivery model and operational provision in place today.
Solution: This solution maintains a small core of HR&OD resource and is supplemented by agency and fixed term employees.
Service delivery: The service delivery is regarded as reactive and transactional with limited opportunity for value-add activity and unsustainable levels of service demand.
Implementation: This will require no significant change in implementing. Temporary project funding ceases in April 2022 therefore a review of what is currently being offered will be required and some services, such as employee relations unit will cease.
Funding: £4.6m plus £2.2m project, time limited, funding for 2021/22

Option 2 – TOM implementation in full, based on a zero-based budget and complete service redesign
This option provides an outline of the 'preferred way forward' (not preferred option) at SOC stage and is predicated upon the following parameters drawn from the long list for:

Scope: The option implements the recommended TOM in full of service delivery provided with leading practice design using the Ulrich Model.
Solution: This model implements a new TOM, implemented with consultation and employees matched to roles, leading to potential of redundancy and associated recruitment to fill vacant roles.
Service delivery: The service delivery model has a focus on simplicity, consistency and connected services with clear ownership. It uses a tiered approach to accessing HR – tier 0

self-serve, tier 1 general support and tier 2 specialist advisory. Tier 3 are centres of excellence and strategic busines partners.

It will work by improved use of Tier 0 – self-service and then managers supported by a team of Tier 1 transactional service and 2 advisers (more tricky cases and resolution experts - providing brilliant basics). People Partners will be strategic value adding support to managers. Each Centre of Excellence will have best in class research and practice which will be commissioned by People Partners (as the main face of People Services) to ensure that activity is consistent and effective. We will have specialist areas such as reward, resourcing and workforce planning and they will be able to lead the way in our people practice.

There will no longer be a divide between HR and OD, and it will become a joined-up service. We will maintain directorate knowledge within the service centre so that there can still be tailored delivery for the services relying on our support. Redundancies may be necessary even with investment as the job may not 'match' across to the new structure – but these will be minimised wherever possible.

Implementation: From April 2022

Funding: The option requires additional core funding of an estimated £3.5m resulting in a total core budget of £8.1m

Option 3 – TOM implementation based on current core budget and project funds with a limited service redesign

This option provides an outline of a more ambitious version of the preferred way forward at SOC but without additional funding.

Scope: This option introduces the TOM but does not provide any funding above the core budget of £6.5m

Solution: This option is ambitions as it could mean that the Model is implemented, and no addition resource recruited.

Service delivery: Due to cessation of project funds some activity currently provided to the Council would need to cease, such as the Industrial Relations Unit and culture change activity. Resource would be prioritised to work that is statutory and ensures compliance. Additional value add activity would not be available. With an ever-increasing dissatisfaction with the service directorates may resort to recruiting their own strategic HR support.

Implementation: From April 2022

Funding: The option requires additional core funding of an estimated £4.9m – resulting in a total core budget of £9.5m.

Option 4 – Option 4 – TOM implementation as proposed – no overarching service redesign

This option provides an outline of a less ambitious version of the preferred way forward at SOC.

Scope: Implement the TOM as and when opportunities occur – meaning no risk to jobs and no redundancies.

Solution: As vacancies arise new roles can be introduced but this will take a long time and be confusing for customers.

Service delivery: Confused and sub optimal.

Implementation: Ongoing

Funding: £6.4m This option requires additional base line funding of £1.8m.

3.5 Economic appraisal

3.5.1 Introduction

This section provides a detailed overview of the main costs and benefits associated with each of the selected options. Importantly, it indicates how they were identified and the main sources and assumptions.

3.5.2 Estimating benefits

Methodology

The benefits associated with each option were identified during a workshop held, by KPMG, in January 2021 with the stakeholders and customers for the scheme.

Description, sources, and assumptions

The benefits identified fell into the following main categories. In each case, the sources and assumptions underlying their use are explained.

Table 6: Main benefits

Metric	How to target improvements	BCC Today	BCC Target	Leading Practice*
For our customers **Customer perception of HR&OD Service** *Direct Measure*	A selection of key customers were asked how they would rate the quality of service HR provides to the business (on a 5 point rating). Implementation of the Service Delivery Model - Service Centre, Centres of Excellence and People Partners, together with an increase of core staffing on permanent contracts will provide a resilient optimum service and lead to enhanced customer satisfaction.	2.3	4.0	5.0
For best in class **HR&OD Service Maturity** *Direct Measure*	The KPMG HR Maturity Assessment Tool is designed around the six target operating model elements, and provides a framework to understand the current position, as well as an aspirational position on the impact of the HR &OD function. KPMG rate World Class as 5 and current rating is 2.4 with an aspiration to achieve 4.3 across the 6 elements.	2.4	4.3	5.0
For value for money **Enhanced Productivity** *Indirect Measure*	Sick absence currently running at 8.38 days per FTE. Pre-Covid absence was 9.11 days (YTD May 20) With more expert resource, insight and time spent on value add activity this will increase engagement, thereby increasing attendance, providing better productivity and satisfaction with council services 20% reduction = 6.7. 3.9 days is the average across all sectors in 2020. (ONS data 2021).	8.38	6.7	3.9
For value for money **Reduced spend on contingent workforce** *Indirect Measure*	Workforce Planning underpinned by talent, learning and succession strategies will mean that BCC can grow own talent and reduce the need for contingent resource . Spend on agency, interim, consultants and consultancy companies (2020/21 spend) is £84.12m. With workforce costs at £346m in 2020/21 this means that of the budget spent on resource 19.5% is spent on contingent labour.	19.5%	15%	10%
For our People **Increased Engagement** *Indirect Measure*	In the latest full staff survey in 2019 43% of staff would recommend Birmingham City Council as a great place to work (39% in 2018). With interventions across all people policies, systems and practice, including revised pay and grading, learning and talent strategies – as well as upskilling of managers it is anticipated that this will increase.	43%	60%	90%

3.5.3 Estimating costs

Methodology

Costs were derived by the Project team, with support from their Finance Business Partner from the Council's current 2021/22 staffing costs, incorporating on-costs. All requests for new staffing costs were built at the midpoint of the grade and then increased by an increment each year until the top of the grade was reached.

Description, sources, and assumptions

Based upon data taken from SAP, in 2020 there were 74,000 FTE working days lost due to sickness absence within BCC with an associated cost of approx. £12m. This represents a reduction to the previous year (prior to the pandemic) where costs are estimated to be around £15m. These should be regarded as conservative figures when we consider the existence of leaveism, presentism, the attenuative impact of home working, the prevalence of underreporting and poor reporting on SAP. Add to this the hidden costs of staff turnover, recruitment, training, litigation etc. and the financial impacts are considerably higher.

Part of the People Services vision is to enable the Council to deliver its priorities and for all our diverse talent to flourish. To deliver on this vision it is proposed that, in the new service delivery model, wellbeing is aligned with OH and Safety. This is to provide a more holistic approach and achieve synergy from the services offered, with an aim to increase the wellbeing of our workforce, to increase attendance and ultimately employee engagement. The Wellbeing team are already proposing a number of changes that will address sickness absence directly, these include; free access to the flu vaccination, OH early intervention as a part of the sickness absence policy, managed healthcare for those awaiting treatment on the NHS, self-referral physiotherapy and the continuation of the recently introduced Service Level Stress Risk Assessments. Through the TOM it is anticipated that with higher engagement, better equipped managers and with centres of excellence designing leading practice interventions absence will reduce. If this is as much as 10% savings of £1.2m could be realised.

In addition, it is well recognised that Workforce Planning underpinned by talent, learning and succession strategies will mean that BCC can grow own talent and reduce the need for contingent resource . Spend on agency, interim, consultants and consultancy companies (2020/21 spend) is £84.12m. With workforce costs at £346m in 2020/21 this means that of the budget spent on resource 19.5% is spent on contingent labour. Again, if this were reduced by as much as 10% it could mean a saving of £8m.

In the latest full staff survey in 2019 43% of staff would recommend Birmingham City Council as a great place to work (39% in 2018). With interventions across all people policies, systems, and practice, including revised pay and grading, learning and talent strategies – as well as upskilling of managers it is anticipated that this will increase. With increase agreement productivity would be increased, retention of key talent and higher quality hires as BCC would be seen as an 'Employer of Choice'. In addition, it is likely the Council would see less grievances, dignity at work complaints and disciplinary cases. It is hard to quantify a specific amount of savings, but studies have shown that activity in this area can make the organisation more efficient and citizens happier with the service provided.

3.5.4   Net present cost findings

Key results of economic appraisals

	Headcount	Budget (£m)
Option 1 – Do Nothing/Do Minimum/Status Quo		
Total	**88.83**	**4.6**
Option 2 – Reference Project/ Outline Public Sector Comparator		
Total	**148**	**8.1**
Option 3 - Reference Project/ Outline Public Sector Comparator (more ambitious)		
Total	**176**	**9.5**
Option 4 - Reference Project/ Outline Public Sector Comparator (less ambitious)		
Total	**120**	**6.4**

3.5.5   Option ranking

The results are summarised and shown in the following Table:

Table 8: summary of results

Option	Description	Ranking
		Costs net all savings
1	Status Quo	3
2	Reference Project	1
3	More ambitious	2
4	Less ambitious	4

3.5.6   Option appraisal conclusions

Option 1 – do nothing/do minimum/status quo

This option ranks 3

Option 2 – reference project/ outline PSC

This option ranks 2

Option 3 – reference project/ outline PSC (more ambitious)

This option ranks 2

Option 4 – reference project/ outline PSC (less ambitious)

This option ranks 4

3.6 Qualitative benefits appraisal
Several workshops were held with KMPG during January 2021 to evaluate the qualitative benefits associated with each option.

3.6.1 Methodology
The appraisal of the qualitative benefits associated with each option was undertaken by:

- Identifying the benefits criteria relating to each of the investment objectives
- Weighting the relative importance (in %s) of each benefit criterion in relation to each investment objective
- Scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9
- Deriving a weighted benefits score for each option.

3.6.2 Qualitative benefits criteria
The benefits criteria were weighted as follows for each investment objective:

Table 9: qualitative benefits criteria

Investment Objectives	Qualitative Benefits	Weight
Investment objective 1	Increase in customer satisfaction and perception of People Services, delivering a professional, consistent, and connected service to enable the Council to deliver improved performance and citizen outcomes whilst achieving the workforce savings required – through improved engagement and productivity delivered through effective redesigns, workforce shaping and providing the right talent, learning, and resourcing solutions. Supporting the Council becoming an Employer of Choice.	25%
Investment objective 2	People Partnering model – providing strategic value & support directly to Directorate managers. Ensuring the Council and directorate Workforce Strategies are in lace – delivering a Fit for Purpose Council.	25%
Investment objective 3	Introduction of the Centres of Excellence to deliver best in class research and practice, ensuring all activity is consistent and effective, particularly to meet the Council's ambitions in diversity, equality, and inclusion activity.	20%
Investment objective 4	The proposed model removes the current silo mentality in HR & OD and creates a newly formed joined-up service for our customers. People Services employees will be supported in their career development, learning and development.	15%

Investment Objectives	Qualitative Benefits	Weight
Investment objective 5	Directorate knowledge will increase, and it is anticipated that with some minimal additional capacity service delivery during this transition phase will be unaffected. Knowledge will transfer across to the Centres of Excellence and Service Centre once formed.	15%

The key considerations that influenced the scores achieved by the various options were as follows:

- Option 1 – do nothing/do minimum/status quo:
This option ranks 3

- Option 2 – reference project/ outline PSC
This option ranks 1

- Option 3 – reference project/ outline PSC (more ambitious)
This option ranks 2

- Option 4 – reference project/ outline PSC (less ambitious)
This option ranks 4

3.7   Risk appraisal - unquantifiable

There is a risk that all new staff are appointed at the top of grade which would lead to additional cost of circa £0.5m but in past experience of service redesigns within the HR&OD Team only one third of people were appointed at the midpoint or above.

4   Commercial Case

There is no commercial case associated with this proposal.

5 Financial Case

5.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option (as set out in the economic case section) and the proposed deal (as described in the commercial case).

5.2 Impact on the organisation's income and expenditure account

The anticipated payment stream for the project over its intended life span is set out in the following table:

Table: summary of financial appraisal

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Preferred option:								
Revenue	8,109	8,189	7,642	7,723	7,813	7,820	7,827	55,123
Funded by:								
Existing	4,556	4,556	4,556	4,556	4,556	4,556	4,556	31,889
Additional	3,554	3,633	3,087	3,167	3,257	3,264	3,272	23,234
Total	**8,109**	**8,189**	**7,642**	**7,723**	**7,813**	**7,820**	**7,827**	**55,123**

5.3 Impact on the balance sheet

In addition to the base line funding request above, funds are being requested to deliver the Job Evaluation Project. This project is time bound and will last throughout 2022/23 and into 2023/24 as detailed below. This amount is being requested to fund the project team – 1 x Grade 6, 2 x Grade 5 and 12 x Grade 4 job analysts. The project team will be undertaking a full evaluation of all jobs within the council, using the Gauge evaluation software (a nationally recognised approach). The aim of this project is to ensure fair and equal pay is achieved through a robust evaluation and grading of all BCC roles. All roles will be evaluated and analysed as part of this project. This activity supports a review of the Council's Pay and Grading Framework - leading to better attraction and retention with a market led, fair and transparent process.

The intention is to fund this project by capital.

	Year 0	Year 1	Year 2	Total
	£000s	£000s	£000s	£000s
Expenditure	736	379	0	1,115
Funded by:				
Capital	736	379	0	1,115

5.4 Overall affordability

The proposed cost of this Business Case preferred option is £23m over 7 years with an annual ongoing cost of just under £3.3m.
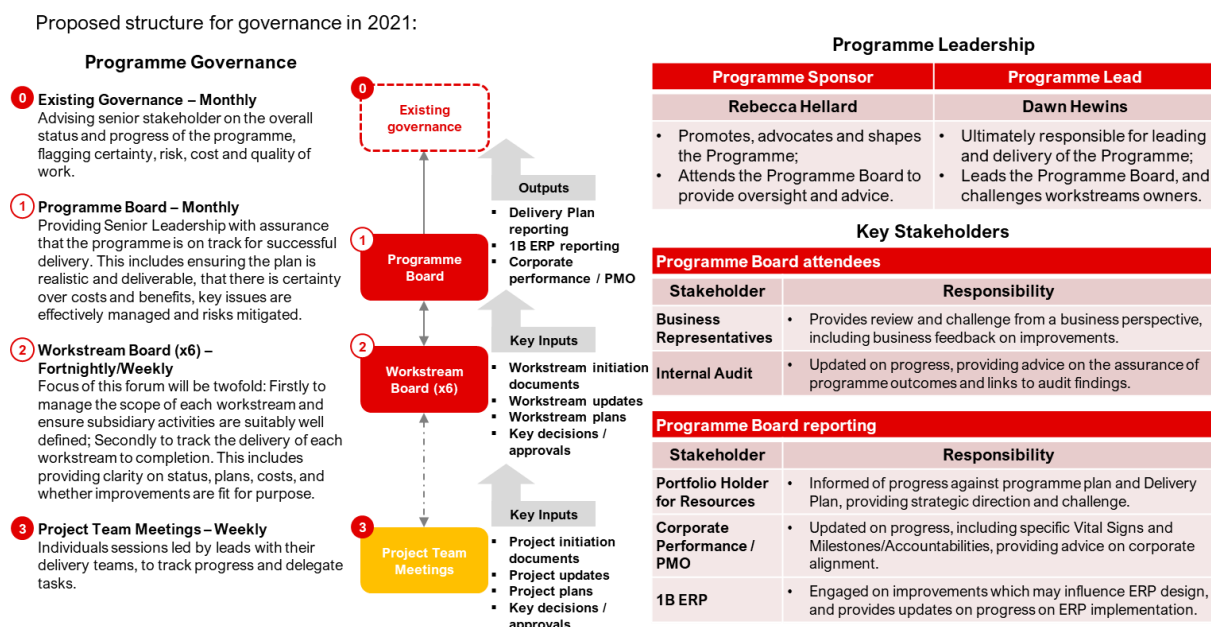
6 Management Case

6.1 Introduction

This section of the OBC addresses the 'achievability' of the scheme. Its purpose, therefore, is to build on the SOC by setting out in more detail the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice. The HR&OD Transformation is being overseen by an interim Programme Manager, Programme Lead and six Workstream Leads. Due to limited capability and capacity within the current HR&OD team the project is being resourced by a mix of external interims and internal secondments. Funding has been granted for 2021/22 to deliver the target operating model at a total of £742,571.

6.2 Programme management arrangements
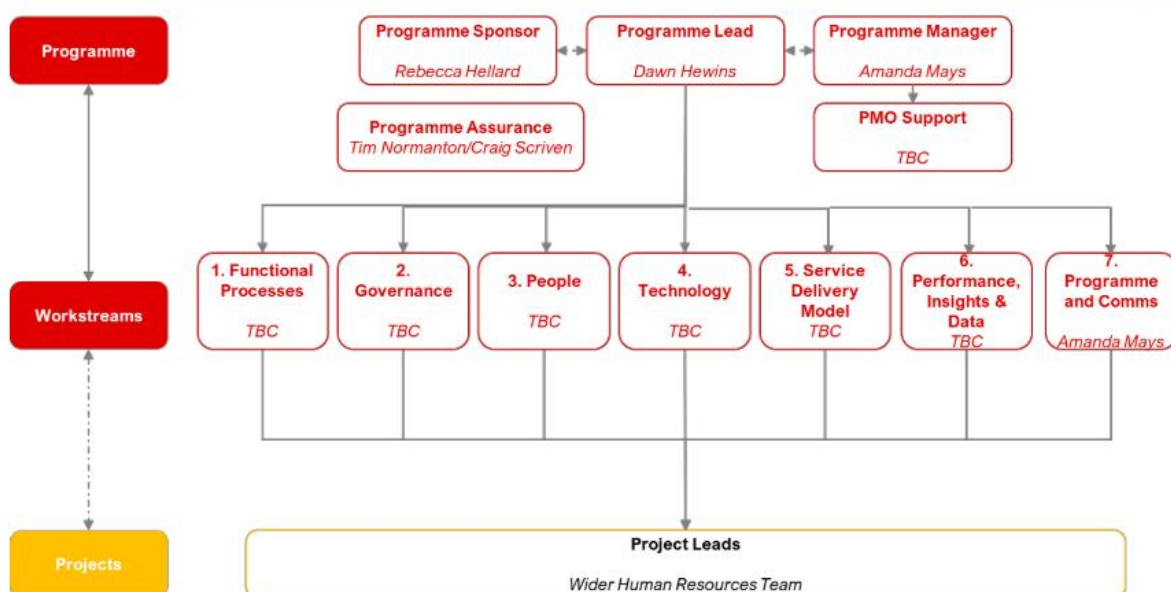
The programme management arrangements are as follows:

Proposed structure for governance in 2021:

Programme Governance

0 Existing Governance – Monthly
Advising senior stakeholder on the overall status and progress of the programme, flagging certainty, risk, cost and quality of work.

1 Programme Board – Monthly
Providing Senior Leadership with assurance that the programme is on track for successful delivery. This includes ensuring the plan is realistic and deliverable, that there is certainty over costs and benefits, key issues are effectively managed and risks mitigated.

2 Workstream Board (x6) – Fortnightly/Weekly
Focus of this forum will be twofold: Firstly to manage the scope of each workstream and ensure subsidiary activities are suitably well defined; Secondly to track the delivery of each workstream to completion. This includes providing clarity on status, plans, costs, and whether improvements are fit for purpose.

3 Project Team Meetings – Weekly
Individuals sessions led by leads with their delivery teams, to track progress and delegate tasks.

Programme Leadership

Programme Sponsor	Programme Lead
Rebecca Hellard	**Dawn Hewins**
• Promotes, advocates and shapes the Programme; • Attends the Programme Board to provide oversight and advice.	• Ultimately responsible for leading and delivery of the Programme; • Leads the Programme Board, and challenges workstreams owners.

Key Stakeholders

Programme Board attendees	
Stakeholder	**Responsibility**
Business Representatives	• Provides review and challenge from a business perspective, including business feedback on improvements.
Internal Audit	• Updated on progress, providing advice on the assurance of programme outcomes and links to audit findings.

Programme Board reporting	
Stakeholder	**Responsibility**
Portfolio Holder for Resources	• Informed of progress against programme plan and Delivery Plan, providing strategic direction and challenge.
Corporate Performance / PMO	• Updated on progress, including specific Vital Signs and Milestones/Accountabilities, providing advice on corporate alignment.
1B ERP	• Engaged on improvements which may influence ERP design, and provides updates on progress on ERP implementation.

6.3 Project management arrangements

The project will be managed in accordance with the preferred Council methodology.

6.3.1 Project reporting structure

The reporting organisation and the reporting structure for the project are as follows:

6.3.2   Project roles and responsibilities

Programme Board:

Programme Manager:

- planning and designing the programme and proactively monitoring its progress, resolving issues, and initiating appropriate corrective action
- defining the programme's governance arrangements

- ensuring effective quality assurance and the overall integrity of the programme - focusing inwardly on the internal consistency of the programme, and outwardly on its coherence with infrastructure planning, interfaces with other programmes and corporate, technical and specialist standards
- managing the programme's budget on behalf of the SRO, monitoring expenditure and costs against delivered and realised benefits as the programme progresses
- facilitating the appointment of individuals to workstreams and projects
- ensuring the delivery of services from projects is to the appropriate level of quality, on time and within budget, in accordance with the programme plan and programme governance arrangements
- ensuring there is allocation of common resources and skills within the programme's individual projects
- managing third party contributions to the programme
- managing communications with all stakeholders
- managing both the dependencies and the interfaces between projects
- managing risks to the programme's successful outcome
- initiating extra activities and other management interventions wherever gaps in the programme are identified or issues arise
- reporting the progress of the programme at regular intervals to the SRO

Workstream Lead:
- Overall responsible owner for the delivery of the workstream, reportable to the Programme Lead.
- Contributes to the definition of scope and outputs require to meet the objectives of the workstream.
- Owns the development of the workstream plan, as an element of the overall programme plan.
- Highlights the level of support required to deliver the projects and activities within the workstream and identifies internal resource available to support or gaps requiring external resource.
- Drives projects and activities within their workstream, managing resources delivering workstream activities.
- Actively identifies workstream risks and potential mitigation plans to these risks.
- Escalates risks and issues to the programme team as required.
- Maintains an awareness of interdependences between workstreams.
- Produces and submits workstream reporting templates and represents the workstream at the Programme Board.

Workstream Board Terms of Reference:

Title	Workstream Board	Frequency	Monthly

Remit	Objectives	Inputs
Focus of this forum will be twofold: Firstly to manage the scope of each workstream and ensure subsidiary activities are suitably well defined; Secondly to track the delivery of each workstream to completion. This includes providing clarity on status, plans, costs, and whether improvements are fit for purpose.	• Review of workstream against baselined scope; • Tracking of delivery and implementation of projects; • Capture of any risks / issues for escalation; • Review of workstream reporting with challenge from Programme Manager.	• Workstream lead reports • Updated workstream plans • Workstream level decisions and escalations • Project initiation and reporting templates • Project plans

Attendees	Standing items and agenda	Decisions/Outputs
Leadership Team • Workstream Lead • Programme Manager • Workstream PMO Support **Attendees** • Project Leads • Activity Leads *(as required)* • Delivery Partner representatives	• Review of project updates • Discussion on potential risks / issues for escalation • Review of workstream updates • Challenge of workstream update from Programme Manager • AOB, meeting close and next steps	• Meeting actions and decisions distributed to invitee list and stored centrally • Items requiring escalation • Reviewed workstream reporting for cascading to programme board

6.3.3 Project plan

This is as set out in the following table:

Table 17: project plan
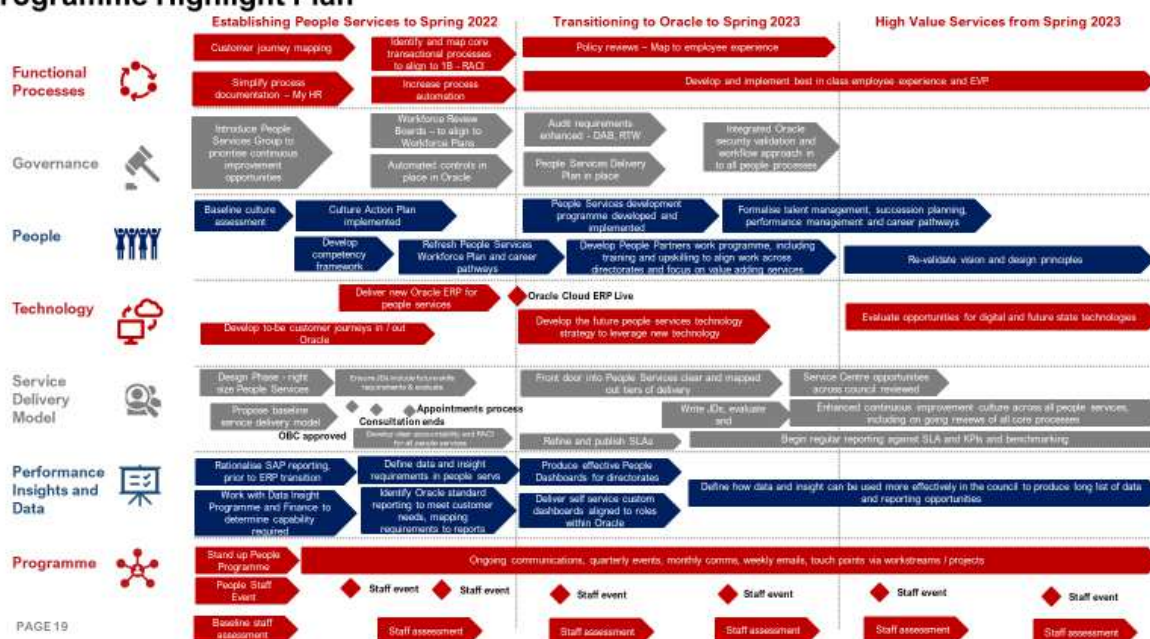
6.4 Use of special advisers

No Special Advisers have been used in this programme.

6.5   Outline arrangements for change and contract management

This is overseen by the Programme Board.

6.6   Outline arrangements for benefits realization

This is overseen by the Programme Board.

6.7   Outline arrangements for risk management

This is overseen by the Programme Board.

6.8   Outline arrangements for post project evaluation

This is overseen by the Programme Board.

6.8.1   Post implementation review (PIR)

The PIR is overseen by the Programme Board and ultimately will be overseen by the Corporate Leadership Team and Chief Executive.

6.8.2   Project evaluation reviews (PERs)

The PER is overseen by the Programme Board and ultimately will be overseen by the Corporate Leadership Team and Chief Executive.

6.9   Contingency plans

If this project fails, the HR&OD Team will continue to provide service to the organisation throughout the change and implementation of the new target operating model. If this service cannot continue for any reason temporary resource will be secured. Without additional funding some services will need to cease, and service times will increase.

Signed:
Date:

Rebecca Hellard
Interim Director Council Management