

Birmingham City Council

Report to Cabinet

7 September 2021



Subject: Human Resources and Organisational Development Transformation

Report of: Rebecca Hellard, Interim Director Council Management

Relevant Cabinet Member: Councillor Tristan Chatfield – Finance and Resources

Relevant O &S Chair(s): Councillor Mohammed Aikhlaq - Resources

Report author: Amanda Mays, Interim HR Transformation Programme Manager

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 009211/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

1 Executive Summary

- 1.1 The Council is going through a period of unprecedented change and this has exposed several gaps in our people capabilities. It is also clear that the foundations of what the Human Resources and Organisational service is accountable for are not in place, starting with the basics through to a strategic direction. As detailed in the KPMG research the current service has reduced in headcount, and corresponding budget, by over 45% in the last 5 years and overall, the function is more reactive and transactional than consultative with capability and capacity gaps at all levels.
- 1.2 This report seeks approval to invest in the Human Resources and Organisational Development service, with a vision to create a best in class People Service where we empower our people by proactively providing the insight they need, being a

trusted partner, enabling the Council to deliver its priorities and committed to enabling all our diverse talent to flourish. A transformed and appropriately funded service will be key to support our directorates to achieve their delivery plans through having the right engaged people, at the right time, in the right place with the right skills to achieve better outcomes for our all citizens and to deliver the Medium-Term Financial Plan.

- 1.3 The aim of the HR&OD Transformation Programme is to introduce a new target operating model to achieve a best in class service. Using the knowledge and experience of working with the whole service and across the organisation KPMG supported the HR&OD team and senior leaders to facilitate the development of the proposed TOM. Key elements of the operating model include the introduction of leading practice business partnering, clear distinction between strategic activities and operational execution and the introduction of a specialist reporting and analytics function, designed to be integrated with other enabling functions.

2 Recommendations

That Cabinet

- 2.1 Approves the proposed Target Operating Model to transform Human Resources and Organisational Development to achieve a best in class People Service.
- 2.2 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 £3.5m.
- 2.3 Delegates authority to consult on the People Services Target Operating Model and to implement the outcome of the consultation.

3 Background

- 3.1 Birmingham City Council is a large and complex organisation and therefore the requirements of the Human Resources and Organisational Development service are significant. The current directorate has base line funding for 88.83 FTEs, excluding the Schools Traded HR service. Headcount has reduced significantly in recent years with restructures taking place in 2017, 2018 and 2019. The core budget for 2021/22 is £4.6m plus £2.2m in year project funding. Annually the project funding is used for what could be considered essential 'business as usual' services, for example industrial relations and culture change. Approximately 50% of the team are either on fixed term contracts, secondments or 'acting up' due to the transitory nature of funding the service.
- 3.2 Feedback from senior leaders in the Council has demonstrated that there is frustration with the current service provided. Strategic Business Partner roles, removed in 2019, have led to the lack of a single point of contact resulting in inconsistency and duplication. The function has a risk averse culture, stemming from a complicated history in dealing with equal pay claims. There is siloed working between HR and OD and a firefighting culture exists which leads to limited value-

added activity as staff have no time to do this. The Council's Workforce Strategy is not effectively implemented and key strategies to underpin this are not in place, for example talent, learning, engagement, reward, resourcing, or cultural strategies. There are no Service Standards or KPIs to monitor performance. There are delays in producing data combined with a lack of forward-looking data. Limited insight hampers the ability of the organisation to make proactive decisions on people matters. The Service has no current agreed delivery plan, with clear measures of success identified, and there is limited alignment of activity to the outcomes specified in the Workforce Strategy.

- 3.3 The current systems within the existing HR&OD services will not help the Council achieve its ambitions long term so, together with the Oracle ERP implementation and New Ways of Working programme, we have an opportunity to modernise the way we work and serve our customers and citizens in better ways.
- 3.4 It is therefore proposed that a new comprehensive target operating model is introduced to ensure that the Council has best in class services from one of its key enabling functions to meet its ambitions.
- 3.5 The TOM 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 hosting the Commonwealth Games. People Services will 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.
- 3.6 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 its six key 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. The aspiration is that the Council is an exemplar employer in the city and recognised as an employer of choice, representing the city's diversity in all roles and grades. Birmingham is a young city, with 46% of citizens under the age of 30, which presents huge potential for accelerated growth, fairer distribution of wealth, and opportunities for innovation across all spheres of life. However, the Council has an aging workforce with 39% over the age of 55 years and no plan currently to tackle this.
- 3.7 Investment is required in a People Service that has expertise in areas such as workforce planning and resourcing, so we can identify ways to redress the balance and recruit to reflect the community. The proposed model introduces new centres of excellence, to 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.

- 3.8 Whilst it is difficult to put a quantifiable figure, improved people services will support the Council in increasing engagement across the whole workforce. Evidence from many studies finds consistently that there is a strong correlation between highly engaged staff, customer satisfaction and increased value for money, for example decreased sickness absence, retention of talent and higher productivity. Below are two links to provide examples of the link between engaged employees, satisfied customers, and increased profitability:

<https://engageforsuccess.org/the-evidence/?nowprocket=1>

<https://www.gov.uk/government/collections/engagement-and-wellbeing-civil-service-success-stories>

- 3.9 As detailed in the Delivery Plan 2020-2022 narrative our employees benchmark the internal services provided to them against the experience they receive day to day from companies such as Uber, Amazon, Spotify, and Expedia. These changes in expectations fundamentally challenge how our services need to be designed; how they are led; our approach to innovation and how we drive change and improvement in a consistent and reliable manner across the Council as a whole. We need to make sure that all our employees receive a best in class experience when dealing with employment matters. At present the service provided does not match the innovation, customer service, immediacy, and agile approach that the companies above provide and a direct customer quote is that the services provided are '*archaic, bureaucratic and inefficient*'.

4 Options Considered and Recommended Proposal

- 4.1 The approach outlined in this paper is the recommended option in line with the Investing in our Future proposals to address both the Council's and city's challenges.
- 4.2 Not investing in the people service, as part of our Fit for the Future Council, or not resourcing them sufficiently, risks continuing with the status quo that does not provide the workforce needed to deliver on the city's ambitions.
- 4.3 KPMG were engaged by the Council at the beginning of 2021 to undertake a review of the function. To develop a proposal for a new 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.

- 4.4 Their 4-step process was to analyse the 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.
- 4.5 The HR&OD leadership team undertook an options appraisal of implementing the model and used a zero-based budget approach. The four options were aligned to the Green Book – maintaining the status quo, a reference option and then looking at a more and a less ambitious option. These are outlined in the Business Case at Appendix 1.
- 4.6 The proposed preferred model introduces an additional Assistant Director role to further provide leadership, direction, and influence to support the strategic value the People Partners can add. It provides greater accountability and control in one unified team, with Business Partnering, creating centralised Centres of Excellence and a Service Delivery Centre, driving standardisation, consistency, and efficiency. Crucial to the model is developing new capabilities in analytics and strategic value-added services, embracing modern technologies to drive process efficiency, new ways of working and automation.
- 4.7 Ultimately the model aims to increase 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.
- 4.8 To achieve the model in its entirety the preferred option is to stabilize service delivery by increasing core funding and reducing reliance on short term ad hoc funding.
- 4.9 The Outline Business Case seeks approval to initially invest an additional estimated £3.5m in base-line HR&OD funding from 2022/23 to take the core budget from £4.6m established base-line budget (plus £2.2m project costs) to £8.1m, reducing to £7.7m in 2025/26. This will increase FTE from 88.83 to 148, which excludes those on the New Ways of Working programme which is subject to its own Business Case. In addition, as stated above, the Schools Traded Service is not included in this review but will benefit from changes to the core service by leading practice policies and processes.
- 4.10 The Outline Business Case also includes reference to one key project that is required in addition to the increase in base line funding. Funds are being requested to deliver the time bound Job Evaluation Project, which will last throughout 2022/23 and into 2023/24. This is to fund the 15 posts required for an approximate 18-month period. £1.1m is required, funded via capital. The aim of this project is to ensure fair and equal pay is achieved through a robust evaluation and grading of all Council 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, retention with a market led, within a fair and transparent process.

4.11 The £1.1m 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 recognized approach).

4.12 The high-level timeline is as follows:

4.12.1 Phase One: Establish People Services, to March 2022

Moving to the new organisation design, including establishing Centres of Excellence, the service delivery centre and new People Partner roles

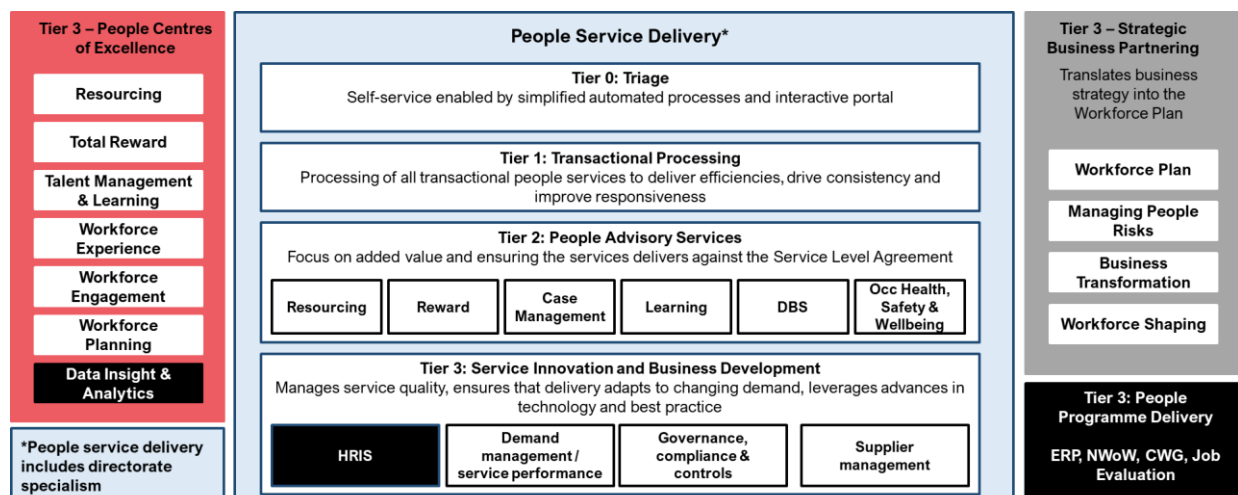
4.12.2 Phase Two: Transitioning to Oracle ERP, April 2022 – March 2023

The transition to the Oracle ERP implementation enables us to deliver more automated and efficient processes configured to enhance customer experience

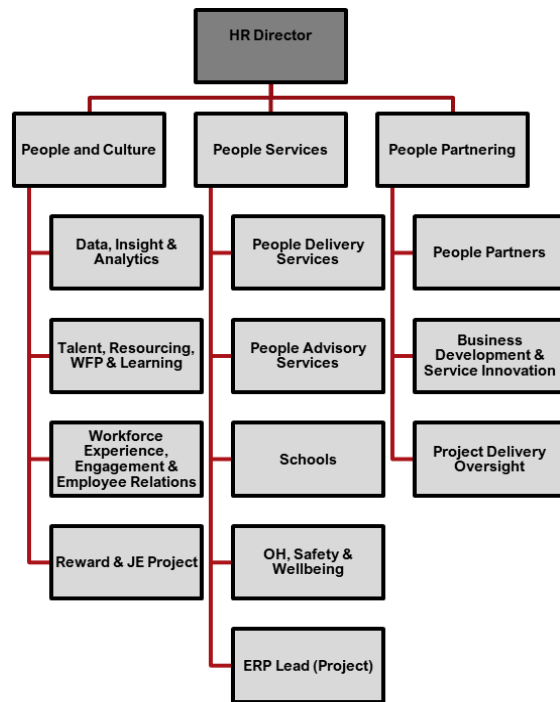
4.12.3 Phase Three: High Value Services, April 2023 – ongoing

We ensure we are getting the best out of our model and the Oracle system. Service level agreements will be published, and leading practice service management will be established. With our operating model in place we will prioritise building and maintaining a culture of innovation and continuous improvement.

4.13 The Target Operating Model is summarised below:



4.14 The proposed structure to underpin this is also shown below:



- 4.15 The Head of Service for Equality, Diversity, and Inclusion, and their team, is within the Cohesion and Equalities Division, as part of the Assistant Director for Community Safety and Resilience responsibilities. However 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 the Council's ambition 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.
- 4.16 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 these Centres of Excellence will review how the People Service can 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.
- 4.17 School's HR as a traded service remains 'as is' as part of the model. However, this team will benefit from enhanced processes and polices as result of implementing the model.
- 4.18 As a result of the TOM the benefits and outcomes the organisation will see are listed below:






- 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 added 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.

5. Consultation

- 5.1 Consultation has taken place with the HR&OD Team, the Council Leadership Team, and the Extended Council Leadership Team. In addition, alignment with other programmes is key and ongoing consultation is taking place with Finance, Procurement, Insights and Data Centre of Excellence. The Trade Unions have been kept informed and will be formally consulted in due course.
- 5.2 Consultation and engagement on the new target operating model will be managed as part of the implementation, ensuring that all relevant stakeholders, including trade unions and staff, are fully involved.

6 Risk Management

- 6.1 An extract from the Programme's risk register can be see below:

Title	Risk description and impact	Mitigating Actions	Direction of Travel	Current Risk Assessment				Live / Closed
				Proximity	Impact	Likelihood	Score	
Budget	Existing budget is inadequate to deliver the required outcomes and there is a risk that there will be no uplift in core budget to deliver the operating model in its entirety.	1. The structure to be redesigned and service standards to reflect the funds available. 2. Review of non statutory / legal activities to be undertaken and activity ceased where appropriate - reducing value add activities 3. Progress in delivering the plan will be tracked alongside the budget.		4	5	4	80	Live
Conflicting priorities	Other conflicting priorities and projects (e.g. 1B implementation / New Ways of Working / Covid response) take priority and draw resources away from the programme resulting in slippage and / or non-delivery. Short / no notice resource requests from 1B exacerbate this risk.	1. The plan will consider potential clashes with peak workloads and will time activities accordingly. 2. ERP requirements will be factored into planning to identify potential resource conflicts. 3. Additional backfill resourcing will be considered where appropriate. 4. Resource request submitted for the HR Services team to support 1B Programme.		4	4	5	80	Live
HR&OD Management Resourcing	HR&OD Management are unable to allocate adequate capacity to supporting and delivering the programme. This leads to programme work not being delivered / slipping.	1. Programme briefing session delivered to the wider management team. 2. HR & OD Managers will be asked to sponsor each Workstream and Project, supported by add. capacity 3. Work to assess the 'Right size of HR&OD' has been initiated and this will help establish options for releasing, creating capacity. 4. Detailed plans will be developed with Project Leads that reflect their capacity / availability to support the programme.		4	5	4	80	Live
HR&OD staff capacity	HR&OD staff are unable to identify adequate capacity for undertaking programme activities, so tasks are not delivered / slip. This creates increased reliance on additional capacity to progress the programme and consequently costs increase.	1. Early conversations with HR&OD to promote the importance of the Programme and encourage involvement. 2. Identification of resource available 3. Consideration of backfill if necessary. 4. Identification of options from the activity analysis to create capacity.		4	5	3	60	Live
Comms Strategy	A draft Communications Strategy has been developed and currently there is no agreed resource allocated to implementing this. Comms are in progress for HR&OD team, but wider Comms are not being delivered. Consequently, the programme may fail to engage wider stakeholders sufficiently especially Line Managers in directorates who are essential to engage to drive the required changes.	1. Comms resource to be identified to develop and deliver Comms Strategy.		4	4	4	64	Live

7 Compliance Issues:

7.1 The HR&OD transformation programme supports the proposals set out in the Cabinet report of 19 January 2021 (Investing in our Future) and the next phase to Birmingham City Council's Delivery Plan to 2022 agreed by Cabinet in November 2020. The proposals for the new target operating model, properly funded and resourced, 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.

7.2 Legal Implications

7.2.1 If the proposed structure is approved, consideration would have to be given to the roles that are required in order to fulfil the objectives set out in the Cabinet Report and whether they will be generic or specialist. Thereafter, specific job descriptions will need to be composed and roles will have to be job evaluated. Formal consultation in relation to the business case and the service re-design will have to commence in relation to the proposals.

7.2.2 BCC must ensure that fair and consistent recruitment practices are followed in line with the Council's policies and procedures in relation to the recruitment of these posts including; making sure that the interview panel is representative of protected characteristics i.e. gender, race, disability,

application forms are anonymised so that candidates are selected for interview purely on the strength of their application and any unnecessary information/requests for data are removed from the application process.

- 7.2.3 Where there is potential displacement in the service, a business case will need to be drafted to determine where the displacement will happen, the criteria for displacement and the reason it amounts to a redundancy situation. Once the business case has been approved, employees should have the opportunity to apply for appropriate vacancies via selection pools through a fair and transparent process. Those employees at risk of redundancy should be given the opportunity to apply for suitable alternative vacancies within the Council. Any redundancies should be conducted in line with the Council's policies and procedures as well as the ACAS Code of Practice.

7.3 Financial Implications

- 7.3.1 The current budget for the HR&OD service has been reduced considerably over the last five years. The budget that supports the core provision of service is not considered adequate to deliver the aims and vision of the service and the support the council needs from its large workforce. The budget requested is to increase the core funding to c.£8.1m per annum for the next year, reducing annually to c.£7.7m in 2025/26. Current core funding for 2021/22 is £4.6m plus £2.2m project funding, equating to £6.8m. Further details of which can be found in the Outline Business Case – People Services Transformation

- 7.3.2 If agreement to funding is granted this will increase core headcount to c.148 from 88.83 and reducing to c.132 in 2025/26, as the service is embedded, the use of technology leveraged, the workforce is more engaged, and managers are upskilled in people management.

- 7.3.3 Headcount profile of proposed structure:

Headcount	2022-23	2023-24	2024-25	2025-26
JNC	4	4	4	4
Grade 7	12	12	12	12
Grade 6	16	16	16	16
Grade 5	44	46	42	42
Grade 4	28	28	24	24
Grade 3	42	38	32	32
Grade 2	2	2	2	2
Total	148	146	132	132

- 7.3.4 Headcount profile compared against current headcount in the baseline budget:

	Grade - Current (Baseline)	Grade - Proposed	Shortfall / surplus against Baseline
JNC	3	4	1
GR7	4	12	8
GR6	6	16	10
GR5	19.02	44	24.98
GR4	32.11	28	-4.11
GR3	22.7	42	19.3
GR2	2	2	0
	88.83	148	59.17

7.3.5 Costs profile – including on costs

Target Operating Model

	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

Job Evaluation Project

	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

7.4 Procurement Implications – not required

7.5 Human Resources Implications

7.5.1 The new target operating model set out in the report includes new structures that will create opportunities for Council staff to progress and develop. Where new capability is required that does not currently exist within the Council external recruitment will take place.

7.5.2 Consultation will be required across the whole HR and OD function (excluding the Schools HR Service which is out of scope) and the Council's policies and processes relating to change will be followed. Following consultation there may be a small number of staff, even with an increase in permanent roles, who are displaced as they do not have the required knowledge, skills, and experience to be placed in the new structure. Every effort will be made to reduce the impact and HR&OD colleagues will be supported through the process fairly and equality of opportunity will be provided.

7.6 Public Sector Equality Duty

7.6.1 The consultation process and associated steps as identified within the report accord with the Council's legal duty to further its Public Sector Equality Duty. This duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Please note the obligation on the Council to comply with the Public Sector Equality Duty is set out within the Equality Act (2010).

7.6.2 A full equality impact assessment under the Equality Act (2010) will be completed that considers the impact on all protected characteristics and will include all staff and service users.

8 Appendices

- Outline Business Case – People Services Transformation

9 Background Documents

- 9.1 Cabinet Report of 19 January 2021 (Investing in our Future)
- 9.2 Birmingham City Council Delivery Plan: 2020-2022
- 9.3 Workforce Strategy 2020-2022