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To: Policy & Resources Cabinet Committee

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Subject: Lean Review of Human Resources

Classification: **unrestricted**

SUMMARY: At the 8 January 2013 Policy & Resources Committee members asked for further details about the lean style review of HR undertaken by Improvement and Efficiency Social Enterprise (iESE). This paper provides background to the review, a summary of its outcomes and details of the actions taken as a result.

1. Introduction

- 1.1 Prior to the ERP programme, HR had already delivered a major programme of implementing employee and manager self-service and has to date successfully introduced on-line total contribution pay, travel expenses, sickness recording, updating personal information such as change bank details, and facilities to print and view payslips and P60's. These developments have delivered significant back-office savings.
- 1.2 There will be further roll-out of HR self-service including the ability for staff to carry out on-line changes to employee assignments, changes to supervisor, annual leave requests and acting up and secondments. There will also be some developments to the Total Contribution Pay automated process (already put in place by HR before the ERP programme started).
- 1.3 Due to the work that had already been completed to develop the use of the Oracle system in HR, as part of the ERP, the KCC HR Divisional Management Team appointed iESE in March 2012 to undertake a Lean style Review of the HR function following a tender exercise. iESE is a 'not for profit' local government owned company. Led and governed by councils, it is held to account by councilors drawn from its membership.
- 1.4 Specifically, the requirement was to work with the HR Divisional Management Team to:
 - Recommend / prioritise areas and processes to conduct a lean review and identify areas where further financial savings might be achieved, in order to meet aggressive savings targets across all of KCC.
 - Help to produce an implementation plan to achieve savings.
 - Validate findings of the HR Divisional Management Team process review.
 - Design a plan to implement proposals and findings.

- 1.5 In particular, the Management Team wanted iESE to help identify savings that could be realised as quickly as possible. The review has revealed savings in excess of £500k, which made a contribution to the £1.4m reduction in the HR budget in the current financial year and will also help meet next year's savings requirement.
- 1.6 The review focused on those areas that could generate sizeable cashable efficiencies, but it also looked at areas where it was considered there may be longer term gains, either through financial efficiencies or in a changed method of delivery.
- 1.7 The review identified and validated 'quick win' savings and further medium term efficiencies. It also looked at some areas where service delivery to customers could be reviewed and while not quantified, this too could generate further savings.
- 1.8 Some HR functions were out of scope, as they had recently been reviewed or were at the time of the review under restructure. In addition, significant parts of HR had already undertaken process reviews that had generated savings. In these areas, iESE undertook a brief validation exercise to see whether there was any further scope for savings or to consolidate delivery. The specific areas covered by the review were:
- Learning and Development
 - Health and Safety
 - Schools Personnel Service Operations
 - Recruitment team
 - HR Connect
 - Business Systems team
 - Total Reward and Well Being
 - Teachers Pensions
- 1.9 For each area an indication of where and how the savings might be derived was given together with, where applicable, recommendations. The assumptions were underpinned with a considerable amount of data and analysis. Whilst the methodology is the intellectual property of iESE, all of the information was provided to KCC to assist with implementation.

2. Learning and Development

- 2.1 The major focus for the review was Learning and Development. The review took place at the point that the three main teams providing L&D support (Corporate, Adult's social care and Children's social care) had been centralised into HR and were in the process of consolidation into one team. The nature of their work had shifted and the teams needed bringing together and the roles re-prioritising, especially with the development of the Organisational Development function. This, combined with the size of the function, meant that there was clearly significant potential for efficiency in L&D and thus formed a substantial task for iESE, with the development of an outline business case to take the function forward forming a separate report.

2.2 As part of the review, iESE conducted a combination of workload analysis; workshop with managers; numerous interviews with team members (and managers); detailed business analysis including the income generation model; a validation of the E-Learning ITT; benchmarking with other organisations, including other local authorities' L&D offering; and discussions with private providers.

2.3 Key findings from the review included:

- Some areas were over resourced and not properly aligned to support the future business needs or to maximize efficiency within the team(s)
- There were too many tiers of management and a flatter structure should be introduced
- There was a mixed model between design and delivery and commissioning,
- There was strong evidence that a sizeable proportion of the total training offer could be undertaken via E-Learning. This included Adults and Children's social care, although this had not be incorporated as part of the pending E-Learning ITT for L&D
- The quality and availability of Management information was generally poor.

2.4. Recommendations

The recommendations from iESE were:

- 2.4.1 Proceed with bringing teams together, conduct a restructure and identify early opportunities for rationalisation (while meeting urgent resource needs within Children's and Adults resulting from Ofsted). This should include formally adopting a commissioning based service model.
- 2.4.2 Carefully review all income generation activity. Ensure all training offerings reflect the training strategy.
- 2.4.3 Consolidate and re-focus the Council's L&D sales and marketing capability. Suggest allocating responsibility for such activities to a more dedicated number of resources. These individuals should be suitably skilled (with training if required) to undertake sales and marketing activities, with a clear strategy and attainable targets.
- 2.4.4 Ensure that the E-learning ITT allows the opportunity for inclusion of social care training and that this is pro-actively taken forward. This should include a soft market testing exercise with potential suppliers of adults and children E-learning and further discussion with other local authorities.
- 2.4.5 Put systems in place to ensure comprehensive data capture to ensure maximum return on investment for training.

2.5 Efficiency Savings

- 2.5.1 iESE confirmed that a restructure of L&D into a Training function would generate efficiency savings. They also anticipated that there would be additional savings against the delivery of training through a move to e-learning delivery and a re-focus on essential training outcomes.

2.6 Actions and outcomes since the review.

2.6.1 The revised L&D function is now operational. Recommendations 2, 3 and 5 were accepted and are being implemented. Recommendations 1 and 4 were accepted in large part. However consultation with key managers and stakeholders in FSC concluded that the business risk of moving a significant part of the training offer for social care teams to e-learning and commissioning the rest from external training providers was too great. The decision was made to move to the current model for service delivery and review once this had been in place for at least a year. This would allow for an informed review of the success of e-learning in other parts of the business and for a more in depth study of the availability and, critically, the quality of external training provision on key aspects of social work training and practice.

3. Health and Safety

3.1 Following on from a number of discussions with the H&S Manager and workload analysis of members of the existing team, iESE concluded that the newly centralised H&S team needed to be re-focused and re-structured.

3.2 Key findings included:

- The team was wrongly resourced and graded to support the business needs
- There were an excessive number of line management and supervisory tiers within the team
- Senior members of the team were undertaking an excessive amount of administration
- The support team was not used to its full potential and that there was an uneven distribution of work across the team.
- Some of the processes undertaken within the team appear to be sub-optimal.

3.3 Recommendation and Efficiency Savings

3.3.1 It was recommended that the team was restructured and that this would lead to efficiency savings.

3.4 Actions and outcomes since the review.

3.4.1 The restructure of the team was completed and 2 posts were removed from the structure.

4. Recruitment

4.1 KCC had previously undertaken some process mapping in preparation for procuring a new recruitment software solution. Currently the process is heavily paper based and the expectation is that by increasing the level of automated workflow, the existing processes will be significantly streamlined, thus allowing for a sizable increase in capacity within the team.

- 4.2 Following a robust Lean challenge session by iESE with members of the recruitment team, iESE calculated the existing levels of 'waste' associated with the "As Is" processes.
- 4.3 Although the in house process mapping was robust, iESE suggested a greater level of customer involvement regarding both the process mapping exercise and consultation for the specification of the proposed solution.

4.4. Actions and outcomes since the review.

- 4.4.1 A business case for the new recruitment management system was compiled and agreed by the Budget Programme Board and the tender process is now underway.

5 SPS Operations

- 5.1 iESE undertook a short but intense review of the core processes currently underpinning staff contracts. The four main processes are:
- New starters
 - Variations
 - Maternity absence
 - Terminations
- 5.2 Each process was analysed in terms of the approximate amount of time (and subsequently cost) with regards to general processing time; dealing with queries and failures; and quality assurance. The supporting data consisted of a combination of both factual and anecdotal information (largely for the number of queries/failures, as this is not formally tracked). Given that the current processes were completed manually (and that they could be completed electronically), it was reasonable to conclude that virtually all the processing time dedicated to this activity is wasteful i.e. non value adding. If a robust automated system was in place, the time spent dealing with queries/failures could be averted, plus the need for quality assurance could, theoretically, be also become redundant.

The move to greater automation is underway with the full involvement and support of schools.

6. HR Connect

- 6.1 Following the recent in house review of the HR Connect team, iESE were asked to conduct a 'light touch' look at the service to provide external validation of recent changes to the team. Overall, we concluded that the introduction of the '2 tier' response process made sense and should help create both capacity and resilience across the team. It also allowed the service to react well to potential expansion plans in the future and offered a degree of career progression for the more junior front line staff members. The only area of concern highlighted was the level of managerial resources. Although it was explained that they had a hands on, operational role, iESE would always strongly recommend removing any unnecessary managerial layers.

6.2. Recommendations

- 6.2.1 Given the very recent structural changes made to the HR Connect team, it was recommended that this was reviewed in 3-6 months time so assess whether the additional managerial resource is required. This review was undertaken and further changes made to the structure of the team.

7 Business Systems and Reward Teams

- 7.1 Both of these teams are relatively small in size and, with the remit to look for short term cashable efficiencies, iESE did not consider there was significant gain in either area in the short term. However, in the medium term some of the functions these areas provide may form part of the key to transforming the delivery model for HR in KCC.

8. Teachers Pensions

- 8.1 iESE undertook a Lean process review of the major workflows in the Teachers Pensions function. Overall, the Teachers Pension team is small and the function is statutory. The review concluded that the team undertake a considerable amount of re-work, which is caused by the receipt of incorrect or insufficient information. Within the section, this amount of re-work has become the 'norm'. The team are working to their maximum capacity to meet the demands, but there is no evidence of performance measurement.

- 8.2 Until the incorrect information received from schools can be eliminated at source there will still need to be re-work needed. This is something that should be considered in the longer term. As a shorter term action it should be considered if a number of pension's functions should be brigaded together or alternatively moved into another area. It is not envisaged that this would lead to financial efficiencies, but may deliver additional resilience and the ability to flex resources.

8.3 Actions and outcomes since the review.

- 8.3.1 A review of the teachers pensions activity will take place in the next financial year.

9. Conclusion

- 9.1 The lean style review was a very useful exercise for the HR Division and both validated and challenged the work being done to drive out efficiency savings and improve business process in the Division. It also allowed members of the HR team to be trained in Lean review techniques and this has proved very valuable.

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